2020 ANNUAL REPORT

Dear Fellow Stockholders,

2020 was a year of significant change for Star Equity Holdings ("Star Equity"). The COVID-19 pandemic created an unprecedented operating environment for our businesses, and I want to thank all of our dedicated employees for their flexibility and hard work throughout these challenging and uncertain times. Also, we grew Construction division revenue significantly and announced a sale of DMS Health representing approximately 40% of revenues for the Healthcare division allowing us to pay down a significant amount of debt.

We believe our holding company growth strategy and value enhancement initiatives will lead to increased revenue, cash flow, earnings and, ultimately, stockholder value. Over time, we expect to use our cash flow to accelerate our growth by funding both internal growth investments and bolt-on acquisitions. We will also look to create new business divisions in the future through the disciplined acquisition of businesses complementary to our holding company structure.

Additionally, Star Equity has approximately $94.9 million of useable net operating losses ("NOL") in the United States, which the Company considers to be a very valuable asset for its stockholders. Protecting the value of this NOL asset limits the amount of stock than can be repurchased over a given time period. In order to protect the value of the NOL for all stockholders, the Company has a tax benefit preservation plan (the "Rights Plan") in place that limits beneficial ownership of Star Equity common stock to 4.99%. The ratification of the Rights Plan and a charter amendment, both related to protecting the NOL, are up for approval at the upcoming stockholder meeting. Stockholders who wish to own more than 4.99% of Star Equity common stock, or already own more than 4.99% of Star Equity common stock and wish to buy more, may only acquire additional shares with the board's prior written approval.

We have a bright future ahead of us. As we review our business and market moving forward, we are very excited about our prospects and our potential for growth through our new holding company strategy.

The entire Executive Team at Star Equity is dedicated to this growth plan strategy, and we are working hard to ensure its continued deployment and continued value to YOU, our stockholders.

Thank you to our stockholders, our employees, our board, and our executive team – with your continued support, we have accomplished many things, and we look forward to continuing working together into the future.

Sincerely,

Jeffrey E. Eberwein
Executive Chairman

BOARD OF DIRECTORS

Jeffrey E. Eberwein
Director, Executive Chairman of the Board

John W. Gildea
Director

Michael A. Cunnion
Director

John W. Sayward
Director

Mitchell I. Quain
Director

OFFICERS & EXECUTIVES

Jeffrey E. Eberwein
Director, Executive Chairman of the Board

David J. Noble
Chief Financial Officer and Chief Operating Officer

Matthew G. Molchan
President and Chief Executive Officer of Digirad Health, Inc.

SHAREOWNERS INFORMATION

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Trading Market
Market: NASDAQ
Symbol: STRR

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The Equity Group
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Star
Equity Holdings

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2020
or

☐ **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	**33-0145723**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
53 Forest Ave. Suite 101, Old Greenwich CT	**06870**
(Address of Principal Executive Offices)	**(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**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

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

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

The aggregate market value of the voting common stock held by non-affiliates based on the closing stock price on June 30, 2020, was $12.3 million. For purposes of this computation only, all executive officers and directors have been deemed affiliates.

The number of outstanding shares of the registrant's common stock, par value $0.0001 per share, as of February 22, 2021 was 4,922,027.

DOCUMENTS INCORPORATED BY REFERENCE

None.

STAR EQUITY HOLDINGS, INC.
FORM 10-K—ANNUAL REPORT
For the Fiscal Year Ended December 31, 2020
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PART I

Cautionary Statement Regarding Forward-Looking Statements

Portions of this Annual Report on Form 10-K (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 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report on Form 10-K, as well as other portions of this Annual Report on Form 10-K. 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 Annual Report on Form 10-K. 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.

Corporate Information

Star Equity Holdings, Inc. ("Star Equity" or the "Company") is a diversified holding company with three divisions: Digirad Health, Star Building & Construction, and Star Real Estate & Investments. Star Equity, which was incorporated in Delaware in 1997, was formerly known as Digirad Corporation until it changed its name to Star Equity Holdings, Inc. effective January 1, 2021. For additional details related to the Company's reportable segments, see Item I. *Business – Business Segments* and Note 17. *Segments* within the notes to our accompanying consolidated financial statements. Unless the context requires otherwise, in this report the terms "we," "us," and, "our" refer to Star Equity and our wholly owned subsidiaries.

ITEM 1. BUSINESS

Overview

Star Equity, formerly Digirad Corporation, is a diversified, multi-industry holding company which currently operates in two important sectors of the U.S. economy, healthcare, and building & construction. Businesses within these divisions have their own experienced management teams, but are 100% controlled by us through wholly-owned subsidiaries, Digirad Health, Inc. and ATRM Holdings, Inc. Over time, we will consider investing in additional operating businesses and potentially entering additional industry sectors. We also maintain a third division, an internally-focused entity, which holds our corporate real estate and investments and is directly managed at the holding company level.

As of December 31, 2020, we operate the Company in four reportable segments in continuing operations: Diagnostic Services, Diagnostic Imaging, Building and Construction, and Real Estate and Investments.

- Digirad Health: provides medical imaging services and also designs, manufactures, services, and distributes diagnostic medical imaging equipment. Star Equity's direct and indirect subsidiaries included in this division (including Digirad Health, Inc.) are referred to collectively herein as the "Healthcare Subsidiaries."
    - The Diagnostic Services business segment offers imaging services to healthcare providers, primarily cardiology practices, as an alternative to purchasing the equipment or outsourcing the procedure.
    - The Diagnostic Imaging business segment develops, sells, and services solid-state mobile gamma imaging cameras to hospitals and physicians.
- Star Building & Construction segment: designs, manufactures, and distributes wood-based products used in residential and commercial construction projects. KBS Builders, Inc. ("KBS"), EdgeBuilder, Inc. ("EdgeBuilder"), and Glenbrook Building Supply, Inc. ("Glenbrook") are wholly owned subsidiaries of Star Equity and are referred to collectively herein, and together with ATRM Holdings, Inc. ("ATRM"), as the "Construction Subsidiaries" and the "Building & Construction businesses."
    - Our KBS business primarily manufactures modular housing units, mainly for the New England market, at our production facility in South Paris, ME. In 2020, we entered the structural wall panel business at a second modular production facility in Oxford, ME. We are continually evaluating the possibility of opening a second modular line at the Oxford, ME facility as demand for our product increases. Opening and operating a second modular manufacturing facility should become necessary as we continue pursuing larger commercial-scale multi-family projects, in addition to producing single-family homes.
    - Our EdgeBuilder and Glenbrook businesses in the Minneapolis-Saint Paul metropolitan area (referred to collectively herein as "EBGL") together manufacture structural wall panels, permanent wood foundation systems, and other engineered wood products, and supply general contractors with building materials.

- Star Real Estate & Investments segment: manages and finances our more significant corporate real estate assets and would hold any potential minority investment positions we might make in the future. Currently, our only revenue-generating activity in this segment is the intercompany monthly rent eliminated during consolidation received from our affiliate, KBS, which leases 3 modular factories from Star Real Estate Holdings USA, Inc. ("SRE"). Star Equity's direct and indirect subsidiaries included in this division are SRE, 947 Waterford Road, LLC ("947 Waterford"), 300 Park Street, LLC ("300 Park"), 56 Mechanic Falls Road, LLC ("56 Mechanic") and Loan Star Value Management, LLC ("LSVM"). Star Real Estate & Investments are referred to collectively herein "Real Estate and Investments".

Strategy

Star Equity

We believe our diversified, multi-industry holding company structure will allow Star Equity management to focus on capital allocation, strategic leadership, merger and acquisition, capital markets transactions, investor relations, management of our real estate & investments, and other public company activities. Our structural plan will free up our operating Chief Executive Officers to manage their respective businesses, look for organic and bolt-on growth opportunities and improve operations with less distraction and 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 and through strategic alternatives. Some of these alternatives 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.

Operating Businesses

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 Digirad Health 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 Star Building & 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.

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 and through strategic alternatives. Some of these alternatives 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.

Star Real Estate & Investments

The Star Real Estate & Investments business is currently an internally-focused division, also referred to internally as SRE, that is directly managed by Star Equity management. SRE directly owns our three manufacturing facilities in Maine, which are leased to KBS. We have financed these facilities in order to generate proceeds to be used for working capital purposes at our Construction Subsidiaries.

Business Segments

As of December 31, 2020, our three divisions are organized into four reportable segments as it relates to continuing operations. These include: Diagnostic Services and Diagnostic Imaging, which together constitute our health care business, known as Digirad Health, and our two newer segments, Building & Construction, and Real Estate & Investments. See Note 17. *Segments*, within the notes to our accompanying consolidated financial statements for financial data relating to our segments.

For discussion purposes, we categorized our Diagnostic Imaging, and Diagnostic Services reportable segments as "Healthcare". For the last two fiscal years, Healthcare had the following relative contribution to consolidated revenues:

	Year ended December 31,	
	2020	**2019**
Healthcare Revenues:		
Diagnostic Services	50.3 %	65.5 %
Diagnostic Imaging	12.7 %	19.0 %
Total Healthcare revenues	63.0 %	84.5 %

Building and construction revenue is summarized as follows:

	Year ended December 31,	
	2020	**2019**
Building & Construction	36.9 %	15.4 %
Total Building & Construction Revenue	36.9 %	15.4 %

Real estate and investments revenue is summarized as follows:

	Year ended December 31,	
	2020	**2019**
Real Estate and Investments	0.1 %	0.1 %
Total Real Estate and Investments	0.1 %	0.1 %

Detailed Description of Our Operating Segments

Digirad Health

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: x-ray, MRI, CT, ultrasound, PET, and nuclear imaging. The most widely used imaging acquisition technology utilizing gamma cameras is single photon emission computed tomography, or SPECT. Our current internally-developed cardiac gamma cameras employ SPECT technology. Digirad Health is comprised of two segments that specialize in delivering SPECT in a unique and effective manner in order to deliver convenient healthcare solutions on an AS needed, WHEN needed and WHERE needed basis.

Diagnostic Services

Through Diagnostic Services, we offer a convenient and economically efficient imaging 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. Many of our physician customers are reliant on reimbursements from Medicare, Medicaid, and third-party insurers. Although reimbursement for procedures provided by our services have been stable during the last several years, any future changes to underlying reimbursements may require modifications to our current business model in order for us to maintain a viable economic model.

Our portable nuclear and ultrasound imaging operations utilize a "hub and spoke" model in which centrally located regional hubs anchor multiple van routes in the surrounding metropolitan areas. At these hubs, clinical personnel load the equipment, radiopharmaceuticals, and other supplies onto specially equipped vans for transport to customer locations, where they set up the equipment for the day. After quality assurance testing, a technologist under the physician's supervision will gather patient information, inject the patient with a radiopharmaceutical, and then acquire images for interpretation by the physician. At the conclusion of the day of service, all equipment and supplies are removed from the customer location and transported back to the central hub location. Our model relies on density and customer concentration to allow for efficiencies and maximum profitability, and therefore we are only located in geographies where there is a high concentration of people, cardiac disease and associated likely customer locations.

For our nuclear imaging services, we have obtained Radsite Intersocietal Accreditation Commission ("IAC") and Intersocietal Commission for Echocardiography Laboratories ("ICAEL") accreditation for our services. Our licensing infrastructure provides radioactive materials licensing, radiation safety officer services, radiation safety training, monitoring and compliance policies and procedures, and quality assurance functions, to ensure adherence to applicable state and federal nuclear regulations.

Diagnostic Imaging

Through Diagnostic Imaging, 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.

The central component of a nuclear camera is the detector, which ultimately determines the overall clinical quality of images a camera produces. Our nuclear cameras feature detectors with advanced proprietary solid-state technology developed by us. Solid-state systems have a number of benefits over conventional photomultiplier tube-based camera designs typically offered by our competitors. Our solid-state technology systems are typically 2 to 5 times lighter and considerably more compact than most traditional nuclear systems, making them far easier and less costly to build, very reliable, and able to be utilized for mobile applications. We are a market leader in the mobile solid-state nuclear camera segment.

We believe our current imaging systems, with their state-of-the-art technology and robust underlying patents, will continue to be relevant for the foreseeable future. We will continue to enhance and adjust our existing systems for the changing nuclear imaging market, including software upgrades and smaller enhancements. However, to accomplish any significant changes and enhancements, we will utilize what we believe is a deep available pool of contract engineers on a flexible, as needed basis and do not maintain a fully staffed research and development department.

Star Building & Construction

The building and construction industries lag behind many other manufacturing industry sectors with respect to offsite production. Both modular and prefabricated structural wall panels, produced offsite, are gaining market share in a sector still dominated by more traditional onsite or "stick built" construction.

KBS has been in the modular business since 2001 and primarily services the New England market, including Cape Cod and the islands of Martha's Vineyard and Nantucket, as it is typically not cost-effective to ship modules beyond 300 miles from where they are produced do to their size and weight. We see opportunity for single-family modular homes across our target geography. The opportunity in commercial-scale multi-family modular projects is focused in and around the Boston metropolitan area, although we believe there will be increasing interest in other secondary cities and more densely settled areas. The shortage of affordable housing is a nation-wide challenge and we believe modular construction methods offer a compelling option to help address upfront construction costs, ongoing domestic energy costs, and time-to-market concerns associated with solving this challenge.

EBGL benefits from the same macro drivers towards more factory-built construction. The target market for the structural wall panels it produces is the Minneapolis-Saint Paul area where the need for housing has been growing. EBGL's panels are sold to builders constructing multi-story, multi-unit structures, including senior living facilities and apartment buildings. Our wood foundations are sold primarily to builders of single family home developments. On the building products distribution side, our showroom and lumber yard focuses on professional builder sales and also provides loose lumber and materials that are bundled with our structural wall panel contracts to streamline the procurement process for these commercial customers. We also supply windows, doors, roofing, decking, drywall, hardware, and other value added products.

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.

Our Competitive Strengths

Healthcare Services and Products

Digirad Health delivers convenient, effective, and efficient healthcare solutions on an as needed, when needed, and where needed basis through our mobile products and services. Digirad Health's diverse portfolio of mobile healthcare solutions and diagnostic imaging equipment and services provides hospitals, physician practices, and imaging centers throughout the United States access to technology and services necessary to provide patient care in the rapidly changing healthcare environment.

We believe that our competitive strengths are our streamlined and cost-efficient approach to providing healthcare solutions to our customers at the point of need, while providing an array of industry-leading, technologically-relevant healthcare imaging and monitoring services:

- *Broad Portfolio of Imaging Services.* Approximately 50.2% of our revenues are derived from diagnostic imaging services to our customers. We have developed and continue to refine an industry-leading, customer-service focused approach to our customers. We have found our focus in this area is a key factor in acquiring and retaining our service-based customers.
- *Unique Dual Sales and Service Offering.* For the majority of our businesses, we offer a service-based model to our customers, allowing them to avoid making costly capital and logistical investments required to offer these services internally. Further, for a portion of our business, we have the ability to sell the underlying capital equipment directly to our customers should their needs change and they desire to provide services on their own with the underlying capital equipment. This ability to serve our customers in a variety of capacities from selling equipment directly, or providing more flexibility through a service-based model, allows us to serve our customers according to their exact needs, as well as the ability to capture both ends of the revenue spectrum.
- *Utilization of Highly Trained Staff.* We recruit and maintain highly trained staff for our clinical and repair services, which in turn allows us to provide superior and more efficient services.
- *Leading Solid-State Technology.* Our solid-state gamma cameras utilize proprietary photo detector modules that enable us to build smaller and lighter cameras that are portable with a degree of ruggedness that can withstand the vibration associated with transportation. Our dedicated cardiac imagers require a floor space as little as seven feet by eight feet, can generally be installed without facility renovations, and use standard power. Our portable cameras are ideal for mobile operators or practices desiring to service multiple office locations or imaging facilities.

Construction Services and Products

Our competitive strengths at KBS include our strategic location with respect to the Greater Boston and broader New England market, the largest manufacturing capacity in the New England region, and an ability to provide high quality wood-based volumetric modules for both single and commercial scale multi-family residential buildings. We also provide significant value through our longstanding engineering and design expertise, with a focus on customization to suit the specific project requirements. We continue to develop our expertise and specialized knowledge in the area of high energy efficient passive homes which includes the delivery of our first zero energy modular ("ZEM") homes to address the need for affordable housing during 2020. We also added structural wall panels to our product offering in 2020, allowing us to provide an alternative product when modular units are not the right solution. We believe structural wall panels may help facilitate the adoption of offsite construction solutions for some traditional builders who have historically focused on onsite "stick-built" construction.

At EBGL, we also have the ability to offer a superior product for commercial scale multi-family projects. Our engineering and design capabilities allow us to create a product that is unique to the specific project's requirements. We also provide value with our vertically integrated in-house delivery capability, helping us to be cost-competitive. Our production strategy is to utilize automation and the most efficient methods of manufacturing and high-quality materials in all EBGL projects. Through our building products distribution business we operate a professional lumber yard and showroom and deliver highly personalized service, knowledgeable salespeople, and attention to detail that the larger, big-box chain home stores do not provide.

Sales

Healthcare

We maintain separate sales organizations that are aligned with each of our business units, which operate independently but in cooperation with each other. Diagnostic Services concentrates its efforts on twelve regional areas where the majority of our business is concentrated based on concentrations of people and cardiac disease. Diagnostic Imaging sales efforts are conducted throughout the United States and certain foreign countries, and are not concentrated to any particular region or area within the United States as the customer profile for this business can be at any hospital or physician practice. Diagnostic Services and Diagnostic Imaging, though separate sales teams, work collaboratively to help fulfill customer needs through either small practice mobile nuclear cardiac imaging services, or to provide capital equipment sales should the customer decide to own the equipment in house.

Building & Construction

KBS markets its modular homes products through both outside and inside salespeople. Our inside sales team works primarily with our network of independent dealers who source end customers for single family homes largely in Northern New England. Our outside sales team prospects for single-family residential and commercial multi-unit projects through new and established relationships with architects, designers, developers, owners builders, general contractors, consultants, and construction managers throughout New England. Their work involves developing and negotiating the full scope of work for KBS, terms of payment, and general requirements for each project.

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 the Minneapolis-Saint Paul area and the Upper Midwest states. EBGL's direct sales organization is responsible for both residential and commercial projects. Our marketing efforts include participation in industry trade shows, production of product literature, and sales support tools. Our showroom and lumber yard services walk-in traffic, mainly professional builders but also homeowner's, through in house sales clerks.

Competition

Healthcare

The market for diagnostic products and services is highly competitive. Our business, which is focused primarily on the private practice and hospital sectors, continues to face challenges of 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, 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 acceptance by hospitals and physicians, relationships that we develop with our customers, budget availability for our capital equipment, requirements for reimbursement, pricing, ease-of-use, reliability, and mobility.

Diagnostic Services. In providing diagnostic imaging services, we compete against many smaller local and regional nuclear and ultrasound providers that may have lower operating costs. The fixed-installation operators often utilize older, used equipment, and the mobile operators may use older Digirad single-head cameras or newer dual-head cameras. We are the only mobile provider with our own exclusive source of triple-head mobile systems. Some competing operators place new or used cameras into physician offices and then provide the staffing, supplies, and other support as an alternative to a Diagnostic Services service contract. In addition, we compete against imaging centers that install fixed nuclear gamma cameras and make them available to referring physicians in their geographic vicinity. In these cases, the physician sends their patients to the imaging center.

Diagnostic Imaging. In selling our imaging systems, we compete against several large medical device manufacturers who offer a full line of imaging cameras for each diagnostic imaging technology, including x-ray, MRI, CT, ultrasound, nuclear medicine, or SPECT/CT and PET/CT hybrid imagers. The existing nuclear imaging systems sold by these competitors have been in use for a longer period of time than our internally developed nuclear gamma cameras, and are more widely recognized and used by physicians and hospitals; however, they are generally not solid-state, light-weight, as flexible, or portable. Additionally, certain medical device companies have developed a version of solid-state gamma cameras that may directly compete with our product offerings. Many of the larger multi-modality competitors enjoy significant competitive advantages over us, including greater brand recognition, greater financial and technical resources, established relationships with healthcare professionals, broader distribution networks, more resources for product development and marketing and sales, and the ability to bundle products to offer discounts.

Building & Construction

The market for building and construction is highly competitive.

KBS is a regional manufacturer of modular housing units with its primary market in the New England states. Several modular manufacturers are located in these New England states and in nearby Pennsylvania. Some competitors have manufacturing locations in Canada and ship their products to the United States. KBS's competitors include Apex Homes, Commodore Corporation, Skyline Champion Homes, Custom Building Systems, Durabuilt, Excel Homes, Huntington Homes, Icon Legacy Homes, Kent Homes (Canada), Maple Leaf Homes (Canada), Muncy Homes, New Era, Pennwest, Premier Builders (PA), Professional Builders Systems, Preferred Building Systems / New England Homes, RCM (Canada), Redmond Homes, Ritz-Craft, Simplex Homes, and Westchester Modular.

EBGL is a regional manufacturer of engineered structural wall panels and permanent wood foundation systems, and also has a local retail business. EBGL's market is primarily the Upper Midwest states (Iowa, Minnesota, Missouri, North Dakota, South Dakota, and Wisconsin). EBGL's competitors include Precision Wall Systems, Component Manufacturing Company, JL Schwieters Construction, Arrow Building Center, and Marshall Truss Systems Incorporated. EBGL's professional building supply business competes on a local level against both small, local lumber yards, regional building supply companies, and to a certain degree, the "big box" stores such as Home Depot, Lowe's, and Menard's.

Intellectual Property

We rely on a combination of patent, trademark, copyright, trade secret, and other intellectual property laws, nondisclosure agreements, and other measures to protect our intellectual property. We require our employees, consultants, and advisors to execute confidentiality agreements and to agree to disclose and assign to us all inventions conceived during the workday, using our property, or which relate to our business. Despite any measures taken to protect our intellectual property, unauthorized parties may attempt to copy aspects of our products or to obtain and use information that we regard as proprietary. As discussed herein, Digirad Health intellectual property is currently subject to a security interest under the credit facility with Sterling.

ATRM's intellectual property is currently subject to a security interest under the credit facility with Gerber Finance Inc. ("Gerber").

Patents

We have developed a patent portfolio that covers our products, components, and processes. We have 14 non-expired U.S. patents. The patents cover, among other things, aspects of solid-state radiation detectors that make it possible for the Company to provide mobile imaging services, and our scan technology that provides for lower patient doses and more specific cardiac images. Our patents expire between 2021 (U.S. Patent 6,670,258) and 2030 (U.S. Patent 8,362,438). While each of our patents applies to nuclear medicine, many also apply to the construction of area detectors for other types of medical and non-medical imagers and imaging methods.

We do not hold any patents within our Building & Construction business.

Trademarks and Copyrights

Our registered trademark portfolio consists of registrations in the United States for Digirad® and CARDIUS®. The Company has produced proprietary software for Digirad Imaging systems including: nSPEED™ 3D-OSEM Reconstruction, SEEQUANTA™ acquisition, and STASYS™ motion correction software. We also license certain software products, and their related copyrights, on a nonexclusive basis from Cedars-Sinai Health System. The license includes updates to the software. The license may be terminated at any time by either party upon notice if the other party materially breaches the agreement. Non-payment to licensor is considered a material breach. The license may also be automatically terminated by licensor if (i) an "event of default" occurs under indebtedness for borrowed money of licensee; (ii) licensee ceases business operations; (iii) licensee dissolves or (iv) licensee commences bankruptcy proceedings. On May 23, 2018, the parties entered into an amendment to the license agreement to, among other things, extend the term of license through July 1, 2023.

Raw Materials

Diagnostic Imaging. We and our contract manufacturers use a wide variety of materials, metals, and mechanical and electrical components for production of our nuclear imaging gamma cameras. These materials are primarily purchased from external suppliers, some of which are single-source suppliers. Materials are purchased from selected suppliers based on quality assurance, cost effectiveness, and constraints resulting from regulatory requirements, and we work closely with our suppliers to assure continuity of supply while maintaining high quality and reliability. Global commodity supply and demand can ultimately affect pricing of certain of these raw materials. Though we believe we have adequate available sources of raw materials, there can be no guarantee that we will be able to access the quantity of raw material needed to sustain operations, as well as at a cost-effective price.

Diagnostic Services. Our Diagnostic Services operations utilize radiopharmaceuticals for our nuclear services. The underlying raw material for creation of the array of doses utilized in nuclear medicine is produced from a total of five main production facilities throughout the world, typically from highly enriched uranium resources. These resources have been and are expected to continue to produce enough raw materials to address the global market, but there continues to be pressure to utilize low or non-enriched uranium resources to produce the underlying nuclear doses.

Building and Construction. Both KBS and EBGL operate in the wood-based building and construction market. The primary raw materials used in their production processes include dimensional lumber, mainly spruce-pine-fir (SPF), and sheathing/sheet goods (OSB and plywood). The majority of underlying raw material for both KBS and EBGL are sourced by wholesalers and mills locally, but we also from time to time source nationally and from Canada. Both businesses depend on the reliability of the lumber supply chain and are sensitive to varying degrees around wood-based commodity price fluctuations.

Manufacturing

Diagnostic Imaging. We manufacture our nuclear imaging gamma cameras by employing a strategy that combines using internal manufacturing resources for devices requiring specific expertise due to our proprietary design coupled with qualified contract manufacturers. Mechanical and electronic components of our systems are produced by contract manufacturers, whereas the most complex components, final assembly and final system performance tests are performed at our facility. All of our suppliers of critical materials, components, and subassemblies undergo supplier qualifications and ongoing quality audits in accordance with our supplier quality process.

We and our contract manufacturers are subject to FDA Quality System Regulations, state regulations, and standards set by the International Organization for Standardization, or ISO. We are currently certified to the EN ISO 13485:2016 quality standard. We have received U.S. Food and Drug Administration ("FDA") 510(k) clearance for our complete nuclear imaging camera product line (Cardius® XPO, Cardius® X-ACT, and Ergo™ gamma cameras). In addition, the X-ACT camera utilizes an x-ray technology to provide attenuation correction information for the SPECT reconstruction. We also have received additional FDA clearance of our Ergo™ large-field-of-view General Purpose Imager for use in intraoperative and molecular breast imaging.

Building and Construction. KBS began manufacturing single family homes in 2001 and commercial modular multi-family housing units in 2008. In subsequent years, KBS expanded its product offerings to include a variety of commercial buildings including apartments, condominiums, townhouses, dormitories, hospitals, office buildings, and other structures. The structures are built inside our climate-controlled factories and are then transported to the site where they are set, assembled and secured on the foundation. Electrical, plumbing, and HVAC systems are inspected and tested in the factory, prior to transportation to the site, to ensure the modules meet all local building codes and quality requirements. Modular construction has gained increased acceptance and is a preferred method of building by many architects and general contractors. The advantages of modular construction include: modules are constructed in a climate-controlled environment; weather conditions usually do not interrupt or delay construction; the building is protected from weather, reducing the risk of mold due to materials absorbing moisture from rain or snow; reduced site work; improved safety and security; reduced vandalism and attrition, as the building is immediately secured; and a significant reduction in overall project time.

EBGL consists of two separate companies (EdgeBuilder ("EB") and Glenbrook ("GL")) operating in tandem with a common management team. EdgeBuilder manufactures wall panels and permanent wood foundations (PWF) in a climate-controlled factory, then transports the panels to the construction site via flat-bed trucks. The panels are typically unloaded by crane and erected or assembled, on site, by professional framing contractors. Panelized construction, especially in large-scale, multi-unit projects, is becoming increasingly popular due to the heightened demand on construction labor. Additionally, because the wall panels are constructed in a controlled indoor environment, waste, weather related delays, and mistakes are minimized. This shaves weeks off large, multi-unit construction schedules, leaving room for more annual builds. Glenbrook fills in all the areas where EdgeBuilder leaves off, with Glenbrook's vast offerings of professional building products. As International Building Code® continues to evolve, KBS and EBGL, along with our professional partners in the industry, meet code changes with innovative products and a dedicated staff for adherent builds.

Healthcare Reimbursement

All of Digirad Health customers typically rely primarily on the Medicare and Medicaid programs and private payors for reimbursement. As a result, demand for our products and services are dependent in part on the coverage and reimbursement policies of these payors. Third party coverage and reimbursement is subject to extensive federal, state, local, and foreign regulation, and private payor rules and policies. In many instances, the applicable regulations, policies, and rules have not been definitively interpreted by regulatory authorities or the courts, are open to a variety of interpretations, and are subject to change without notice.

The scope of coverage and payment policies vary among third-party private payors. For example, some payors will not reimburse a provider unless the provider has a contract with the payor, and in many instances such payors will not enter into such contracts without the approval of a third party "radiology benefit manager" that the payor compensates based on reducing the payor's imaging expense. Other payors prohibit reimbursement unless physicians own or lease our cameras on a full-time basis, or meet certain accreditation or privileging standards. Such payor requirements and limitations can significantly restrict the types of business models we can successfully utilize.

Medicare reimbursement rules are subject to annual changes that may affect payment for services that our customers provide. In addition, Congress has passed healthcare reform proposals that are intended to expand the availability of healthcare coverage and reduce the growth in healthcare spending in the U.S. Many of these laws affect the services that our customers provide, and could change further over time.

Medicare reimbursement rules impose many standards and policies on the payment of services that our customers provide. For instance, physicians billing for the technical component of nuclear imaging tests must be accredited by a government-approved independent accreditation body and many private payors are adopting similar requirements. We offer our customers a service to assist them in obtaining and maintaining the required accreditation. We believe we have structured our contracts in a manner that allows our customers to seek reimbursement from third-party payors in compliance with Medicare reimbursement rules. Our physician customers typically bill for both the technical and professional components of the tests. Assuming they meet certain requirements including, but not limited to, performing and documenting bona fide interpretations and providing the requisite supervision of the non-physician personnel performing the tests, they may bill and be paid by Medicare. If the failure to comply is deemed to be "knowing" or "willful," the government could seek to impose fines or penalties, and we may be required to restructure our agreements and/or respond to any resultant claims by such customers or the government. Our hospital customers typically seek reimbursement by Medicare for outpatient services under the Medicare Hospital Outpatient Prospective Payment System.

Government Regulation

Healthcare

We and our medical professional customers must comply with an array of federal and state laws and regulations. Violations of such laws and regulations can be punishable by criminal, civil, and/or administrative sanctions, including, in some instances, exclusion from participation in healthcare programs such as Medicare and Medicaid. Accordingly, we maintain a vigorous compliance program and a hotline that permits our personnel to report violations anonymously if they wish.

The following is a summary of some of the laws and regulations applicable to our business:

- *Anti-Kickback Laws.* The Medicare/Medicaid Patient Protection Act of 1987, as amended, which is commonly referred to as the Anti-Kickback Statute, prohibits us from knowingly and willingly offering, paying, soliciting, or receiving any form of remuneration in return for the referral of items or services, or to purchase, lease, order, or arrange for or recommend purchasing, leasing, or ordering any good, facility, service, or item, for which payment may be made under a federal healthcare program. Violation of the federal anti-kickback law is a felony, punishable by criminal fines and imprisonment, or both, and can result in civil penalties and exclusion from participation in healthcare programs such as Medicare and Medicaid. Many states have adopted similar statutes prohibiting payments intended to induce referrals of products or services paid by Medicaid or other nongovernmental third-party payors.

- *Physician Self-Referral Laws.* Federal regulations commonly referred to as the "Stark Law" prohibit physician referrals of Medicare or Medicaid patients to an entity for certain designated health services if the physician or an immediate family member has an indirect or direct financial relationship with the entity, unless a statutory exception applies. We believe that referrals made by our physician customers are eligible to qualify for the "in-office ancillary services" exception to the Stark Law, provided that the services are provided or supervised by the physician or a member of his or her "Group Practice," as that term is defined under the law, the services are performed in the same building in which the physician regularly practices medicine, and the services are billed by or for the supervising physician or Group Practice. Violations of the Stark Law may lead to the imposition of penalties and fines, the exclusion from participation in federal healthcare programs, and liability under the federal False Claims Act and its whistleblower provisions. Many states have adopted similar statutes prohibiting self-referral arrangements that cover all patients and not just Medicare and Medicaid patients.

- *HIPAA*. The Health Insurance Portability and Accountability Act of 1996, or HIPAA, prohibits schemes to defraud healthcare benefit programs and fraudulent conduct in connection with the delivery of, or payment for, healthcare benefits, items, or services. HIPAA also establishes standards governing electronic healthcare transactions and protecting the security and privacy of individually identifiable health information. Some states have also enacted privacy and security statutes or regulations that, in some cases, are more stringent than those issued under HIPAA.

  The American Recovery and Reinvestment Act of 2009, enacted February 17, 2009, made significant changes to HIPAA privacy and security regulations. Effective February 17, 2010, we are regulated directly under all of the HIPAA rules protecting the security of electronic individually identifiable health information and many of the rules governing the privacy of such information.

- *Medical Device Regulation.* The FDA classifies medical devices, such as our cameras, into one of three classes, depending on the degree of risk associated with the device and the extent of control needed to ensure safety and effectiveness. Devices deemed to pose lower risk are placed in either class I or II, which generally requires the manufacturer to submit to the FDA a pre-market notification requesting permission for commercial distribution. This process is known as 510(k) clearance. Devices deemed to pose the greatest risk, such as life-sustaining, life-supporting, or implantable devices, are placed in Class III, requiring an approved Premarket Approval Application ("PMA"). Our cameras are Class II medical devices that have been cleared for marketing by the FDA. We are also subject to post-market regulatory requirements relating to our manufacturing process, marketing and sales activities, product performance, and medical device reports should there be deaths and serious injuries associated with our products.

- *Pharmaceutical Regulation.* Federal and state agencies, including the FDA and state pharmacy boards, regulate the radiopharmaceuticals used in our Diagnostic Services business.

- *Radioactive Materials Laws.* We must maintain licensure under, and comply with, federal and state radioactive materials laws, or RAM laws. RAM laws require, among other things, that radioactive materials are used by, or that their use be supervised by, individuals with specified training, expertise, and credentials and include specific provisions applicable to the medical use of radioactive materials.

- *Environmental Matters.* The facilities we operate or manage generate hazardous and medical waste subject to federal and state requirements regarding handling and disposal. We believe that the facilities that we operate and manage are currently in compliance in all material respects with applicable federal, state and local statutes and ordinances regulating the handling and disposal of such materials. We do not believe that we will be required to expend any material additional amounts in order to remain in compliance with these laws and regulations or that compliance will materially affect our capital expenditures, earnings or competitive position.

Employees

As of December 31, 2020, we had a total of 636 full time employees in all our divisions, of which 335 were employed in clinical health-related positions, 127 in manufacturing, 82 in operational roles, 66 in general and administrative functions, and 26 in marketing and sales. All positions are in the United States. We also utilize varying amounts of temporary workers as necessary to fulfill customer requirements. We have not experienced any work stoppages and consider our employee relations to be good.

Recent History of our Business Transformation

On September 10, 2018 we announced that our Board had approved the conversion of the Company into a diversified holding company. We also announced simultaneously that our intent was to make ATRM Holdings, Inc., a building & construction business, our initial "kick-off" transaction.

On December 14, 2018, the Company and ATRM entered into a joint venture and formed Star Procurement, LLC ("Star Procurement"), with the Company and ATRM each holding a 50% interest in Star Procurement. The purpose of the joint venture is to provide the service of purchasing and selling building materials and related goods to KBS with which Star Procurement entered into a Services Agreement on January 2, 2019. In accordance with the terms of the Star Procurement Limited Liability Company Agreement, the Company made a $1.0 million capital contribution to the joint venture in January 2019. This entity was subsequently consolidated within the consolidated financial statements upon completion of the ATRM Merger.

In April 2019, as an initial transaction to create the Company's real estate division under SRE, the Company funded the initial purchase of three modular building manufacturing facilities in Maine and then leased those three properties to KBS. The initial funding of the acquisition of these assets was primarily through the use of excess borrowing capacity on the credit facility with Sterling National Bank ("Sterling" or "SNB"), a national banking association.

On September 10, 2019 (the "ATRM Acquisition Date"), Star Equity completed its acquisition of ATRM pursuant to an Agreement and Plan of Merger, dated as of July 3, 2019 (the "ATRM Merger Agreement"), among Star Equity, Digirad Acquisition Corporation, a Minnesota corporation and wholly owned subsidiary of Star Equity ("Merger Sub"), and ATRM. Under the terms of the ATRM Merger Agreement, Merger Sub merged with and into ATRM, with ATRM surviving as a wholly owned subsidiary of Star Equity (the "ATRM Merger" or "ATRM Acquisition"). ATRM is now doing business as Star Building & Construction. This "kick-off" transaction marked the official launch of Digirad Corporation, now Star Equity Holdings, Inc., as a diversified, multi-industry holding company.

At the effective time of the ATRM Merger, (i) each share of ATRM common stock was converted into the right to receive three one-hundredths (0.03) of a share of 10.0% Series A Cumulative Perpetual Preferred Stock, par value $0.0001 per share, of the Company (Company Preferred Stock) and (ii) each share of ATRM 10.00% Series B Cumulative Preferred Stock, par value $0.001 per share (ATRM Preferred Stock) converted into the right to receive two and one-half (2.5) shares of Company Preferred Stock, for an approximate aggregate total of 1.6 million shares of Company Preferred Stock. No fractional shares of Company Preferred Stock were issued to any ATRM shareholder in the ATRM Merger. Each ATRM shareholder who would otherwise have been entitled to receive a fraction of a share of Company common stock in the ATRM Merger received one whole share of Company Preferred Stock. Upon the effectiveness of the ATRM Merger, each share of ATRM Common Stock and each share of ATRM Preferred Stock issued and outstanding were no longer be outstanding and automatically were canceled and retired and ceased to exist. ATRM held a special meeting of its shareholders at which the holders of ATRM Common Stock and ATRM Preferred Stock, voting as separate classes, approved the ATRM Merger Agreement and the transactions contemplated thereby, including the ATRM Merger.

On October 30, 2020, Star Equity entered into a Stock Purchase Agreement (the "DMS Purchase Agreement") by and among Star Equity, Project Rendezvous Acquisition Corporation, a Delaware corporation and wholly owned subsidiary of Star Equity ("Seller"), DMS Health Technologies, Inc., a North Dakota corporation and wholly owned subsidiary of 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 will purchase all of the issued and outstanding common stock of DMS Health, which operates the Mobile Healthcare business, from Seller (the "DMS Sale Transaction"). As a result of the entry into the DMS Purchase Agreement, as of December 31, 2020, the Mobile Healthcare business met the criteria to be classified as held for sale and is reported on the Consolidated Statement of Operations as discontinued operations and on the Consolidated Balance Sheet as Assets and Liabilities held for sale. The purchase price for the DMS Sale Transaction is $18.75 million in cash, subject to certain adjustments, including a working capital adjustment.

On February 1, 2021, the Company completed the sale of its MD Office Solutions subsidiary to M.D.O.S.C.A Inc., a California based holding company ("MDOSCA"), in exchange for a secured promissory note in the original principal amount of $1.4 million and entry into multi-year service and support agreements between MDOSCA and Digirad Health, Inc., a wholly owned subsidiary of the Company.

Restatement of Previously Issued Consolidated Financial Statements

On March 25, 2021, the Board of Directors (the "Board") of the Company, upon the recommendation of the Audit Committee of the Board and after considering the recommendations of management, and discussing such recommendations with BDO USA, LLP, the Company's independent registered public accounting firm, concluded that our previously released financial statements for quarterly and annual periods after and including March 31, 2019 and any earnings releases or other communications relating to these periods should no longer be relied upon due to misstatements that are described in greater detail in Notes 2 of the Notes to the Consolidated Financial Statements included within this Annual Report on Form 10-K.

Available Information

We file electronically with the Securities and Exchange Commission (the "SEC"), our annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 ("Exchange Act"). The SEC maintains a website (www.sec.gov), which contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

The Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports are available free of charge on our website (www.starequity.com) as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. Such reports will remain available on our website for at least 12 months and are also available free of charge by written request or by contacting the Investor Relations Department at (203) 489-9500.

The contents of our website or any other website are not incorporated by reference into this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

Summary of Risk Factors

The summary below provides a non-exhaustive overview of the risks that if realized could materially harm our business, prospects, operating results and financial condition. This summary is qualified by reference to the full set of risk factors set forth in this Item.

- Our HoldCo Conversion and related acquisitions or investments could involve unknown risks that could harm our business and adversely affect our financial condition.
- We rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could materially harm our business.
- We may not be able to achieve the anticipated synergies and benefits from business acquisitions.
- We are subject to particular risks associated with real estate ownership, which could result in unanticipated losses or expenses.
- Our revenues may decline due to reductions in Medicare and Medicaid reimbursement rates, changes in healthcare policies, changes in diagnostic imaging regulations and the use of third party benefit managers by states and private payors.
- Our Diagnostic Services are highly dependent upon the availability of certain radiopharmaceuticals.
- Operating results may be adversely affected by changes in the costs and availability of supplies and materials.
- Our quarterly and annual financial results are difficult to predict and are likely to fluctuate.
- We spend considerable time and money complying with federal and state laws, regulations, and other rules, and if we are unable to fully comply with such laws, regulations, and other rules, we could face substantial penalties.
- We are subject to risks associated with self-insurance related to health benefits.
- A portion of our operations are located in a facility that may be at risk from fire, earthquakes, or other disasters.
- The medical device industry is litigious, which could result in the diversion of our management's time and efforts, and require us to incur expenses and pay damages that may not be covered by our insurance.
- If we cannot provide quality technical and applications support, we could lose customers and our business and prospects will suffer.
- Our long-term results depend upon our ability to improve existing products and services and introduce and market new products and services successfully.
- Our ability to protect our intellectual property and proprietary technology through patents and other means is uncertain.
- The measures that we use to protect the security of our intellectual property and other proprietary rights may not be adequate.
- If we are sued for infringing intellectual property rights of third parties, it would be costly and time consuming, and an unfavorable outcome in that litigation could have a material adverse effect on our business.
- Our issued patents could be found invalid or unenforceable if challenged in court, at the USPTO or other administrative agency, or in other lawsuits which could have a material adverse impact on our business.
- We may make financial investments in other businesses that may lose value.
- We face risks related to health pandemics and other widespread outbreaks of contagious disease, including the novel coronavirus, COVID-19, which could significantly disrupt our operations and impact our financial results.
- Our goodwill and other long-lived assets are subject to potential impairment that could negatively impact our earnings.
- The pending sale of DMS Health is subject to closing conditions, the failure of any of which (including failure to obtain certain approvals), could result in our inability to consummate the transaction and, consequently, adversely affect our business, financial condition, results of operations or our stock price.
- If KBS is unable to maintain or establish its relationships with independent dealers and contractors who sell its homes, KBS revenue could decline.
- The Company is dependent on its senior management team and other key employees.
- Our building and construction business could be adversely affected by changes in the cost and availability of raw materials and ability to maintain or establish relationships with independent dealers and contractors.
- Due to the nature of our business, many of our expenses are fixed costs and if there are decreases in demand for our products, it may adversely affect our operating results.
- Due to the nature of the work the Company and its subsidiaries perform, the Company may be subject to significant liability claims and disputes.
- Our indebtedness could restrict our operations and make us more vulnerable to adverse economic conditions.
- The loan agreements governing our indebtedness contain restrictive covenants that restrict our operating flexibility and require that we maintain specified financial ratios. If we cannot comply with these covenants, we may be in default under one or more of our loan agreements.

- We may not be entitled to forgiveness of our recently received PPP loans, and our application for the PPP loans could in the future be determined to have been impermissible.
- Substantially all of our assets (including the assets of our subsidiaries) have been pledged to lenders as security for our indebtedness under our loan agreements and our inability to comply with applicable financial covenants under the loan agreements could have a material adverse effect on our financial condition.
- The inability of the Company or any of the Company's other subsidiaries to comply with applicable financial covenants under the Company Loan Agreements could have a material adverse effect on financial condition of the Company.
- If we are unable to generate or borrow sufficient cash to make payments on our indebtedness, our financial condition would be materially harmed, our business could fail, and stockholders may lose all of their investment.
- Increases in interest rates could adversely affect our results from operations and financial condition.
- If we fail to pay dividends on our preferred stock for six or more consecutive quarters, holders of our preferred stock will be entitled to elect two additional directors to our board of directors.
- The market price of our common stock may be volatile, and the value of your investment could decline significantly.
- Our common stock has a low trading volume and shares available under our equity compensation plans could affect the trading price of our common stock.
- Payment of dividends on our common stock is prohibited unless we have declared and paid (or set apart for payment) full accumulated dividends on our preferred stock, which also has a significant liquidation value.
- If Nasdaq delists our preferred stock from quotation on its exchange, investors' ability to make transactions in the preferred stock could be limited.
- The market for our preferred stock may not provide investors with adequate liquidity.
- Our preferred stock will bear a risk in connection with redemption. We may not be able to redeem our preferred stock upon a change of control triggering event.
- As a smaller reporting company, we are subject to scaled disclosure requirements that may make it more challenging for investors to analyze our results of operations and financial prospects.
- If we cannot continue to satisfy the Nasdaq Global Market continued listing standards and other Nasdaq rules, our common stock could be delisted, which would harm our business, the trading price of our common stock, our ability to raise additional capital and the liquidity of the market for our common stock.
- If securities or industry analysts do not publish research or reports about our business, or if they issue an adverse or misleading opinion regarding our stock, the price and trading volume of our securities could decline.
- If we become a personal holding company, our results could be negatively impacted.
- Holders of the Company Preferred Stock may be unable to use the dividends-received deduction and may not be eligible for the preferential tax rates applicable to "qualified dividend" income.
- A holder of Company Preferred Stock has extremely limited voting rights.
- Our preferred stock is not convertible into common stock, including in the event of a change of control of the Company, and investors will not realize a corresponding upside if the price of our common stock increases.
- Our cash available for dividends to holders of our preferred stock may not be sufficient to pay anticipated dividends, nor can we assure you of our ability to make dividends in the future, and we may need to borrow to make such dividends or may not be able to make such dividends at all.
- The protective amendment contained in our certificate of incorporation, which is intended to help preserve the value of certain income tax assets, primarily tax net operating loss carryforwards may have unintended negative effects.
- Anti-takeover provisions in our organizational documents and Delaware law may prevent or delay removal of current management or a change in control.
- Material weakness in our internal control over financial reporting could have a significant adverse effect on our business and the price of our common stock.

Risks Related to Our Business and Industry

Our HoldCo Conversion and related acquisitions or investments could involve unknown risks that could harm our business and adversely affect our financial condition and there can be no assurances that we will be successful as a diversified holding company.

We are a diversified holding company with interests in a variety of industries and market sectors. The real estate acquisitions that we have made under our SRE real estate division and the pending and future acquisitions that we consummate will involve unknown risks, some of which will be particular to the industry in which the acquisition target operates. Although we intend to conduct extensive business, financial, and legal due diligence in connection with the evaluation of all our acquisition and investment opportunities, there can be no assurance our due diligence investigations will identify every matter that could have a material adverse effect on us. We may be unable to adequately address the financial, legal, and operational risks raised by such acquisitions or investments. The realization of any unknown risks could adversely affect our financial condition and liquidity. In addition, our financial condition, results of operations and the ability to service our debt will be subject to the specific risks applicable to any company we acquire or in which we invest.

Part of our strategy as a diversified holding company is to grow through the acquisition of businesses that we believe will realize a material benefit from being part of a larger holding company structure, both financially and strategically. There can be no assurances that we will find suitable acquisition targets that will enable us to successfully realize our conversion into a diversified holding company, and even if such targets are identified, there can be no assurances that we can negotiate and complete such acquisitions on attractive terms. If we succeed in making suitable acquisitions, we may not be able to obtain the expected profitability or other benefits in the short or long term from such acquisitions.

We rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could materially harm our business.

We rely on information technology and systems, including the Internet, commercially available software, and other applications, to process, transmit, store, and safeguard information and to manage or support a variety of our business processes, including financial transactions and maintenance of records, which may include personal identifying information and other valuable or confidential information. If we experience material failures, inadequacies, or interruptions or security failures of our information technology, we could incur material costs and losses. Further, third-party vendors could experience similar events with respect to their information technology and systems that impact the products and services they provide to us or to our customers. We rely on commercially available systems, software, tools, and monitoring, as well as other applications and internal procedures and personnel, to provide security for processing, transmitting, storing, and safeguarding confidential information such as personally identifiable information related to our employees and others, information regarding financial accounts, and information regarding customers and vendors. We take various actions, and we incur significant costs, to maintain and protect the operation and security of our information technology and systems, including the data maintained in those systems. However, it is possible that these measures will not prevent the systems' improper functioning or a compromise in security, such as in the event of a cyberattack or the improper disclosure of information. Security breaches, computer viruses, attacks by hackers, online fraud schemes, and similar breaches can create significant system disruptions, shutdowns, fraudulent transfer of assets, or unauthorized disclosure of confidential information. For example, in April 2019, we became aware that we had been a victim of criminal fraud commonly referred to as "business email compromise fraud." The incident involved the impersonation of an officer of the Company and improper access to his email, wherein the transfer by the Company of funds to a third-party account almost occurred.

The operation of our healthcare business includes use of complex information technology infrastructures, access to the information technology networks of our customers, as well as the collection of storing of patient information that is subject to HIPAA. In recent years, attacks on corporate information technology infrastructures have become more common and more sophisticated. Any successful attack on our network could severely impact our ability to conduct operations and could result in lost customers. Though we carry customary insurance for notification events in the event of a patient information breach under HIPAA, our coverage may not be sufficient to cover every situation, and any notification could severely impact our customer confidence and operations.

Despite any defensive measures we take to manage threats to our business, our risk and exposure to these matters remain heightened as new and sophisticated methods used by criminals including phishing, social engineering, or other illicit acts, may occur which we may be unable to anticipate or fail to adequately mitigate. Any failure to maintain the security, proper function and availability of our information technology and systems, or certain third-party vendors' failure to similarly protect their information technology and systems that are relevant to our operations, or to safeguard our business processes, assets, and information could result in financial losses, interrupt our operations, damage our reputation, cause us to be in default of material contracts, and subject us to liability claims or regulatory penalties, any of which could materially and adversely affect us.

We may not be able to achieve the anticipated synergies and benefits from business acquisitions.

Part of our business strategy is to acquire businesses that we believe can complement or expand our current business activities, both financially and strategically. On September 10, 2019, we acquired ATRM and its subsidiaries, including KBS, EdgeBuilder and Glenbrook with these synergistic benefits in mind. Acquisitions involve many complexities, including, but not limited to, risks associated with the acquired business' past activities, loss of customers, regulatory changes that are not anticipated, difficulties in integrating personnel and human resource programs, integrating ERP systems and other infrastructures, general underperformance of the business under our control versus the prior owners, unanticipated expenses and liabilities, and the impact on its internal controls of compliance with the regulatory requirements under the Sarbanes-Oxley Act of 2002. As a result, the realization of anticipated synergies or benefits from acquisitions may be delayed or substantially reduced, and could potentially result in the impairment of our investment in these businesses.

We are subject to particular risks associated with real estate ownership, which could result in unanticipated losses or expenses.

Following our recent acquisition of real estate, our business is subject to many risks that are associated with the ownership of real estate. For example, if our tenants do not renew their leases or default on their leases, we may be unable to re-lease the facilities at favorable rental rates. Other risks that are associated with real estate acquisition and ownership include, without limitation, the following:

- general liability, property and casualty losses, some of which may be uninsured;
- the inability to purchase or sell our assets rapidly due to the illiquid nature of real estate and the real estate market;
- leases which are not renewed or are renewed at lower rental amounts at expiration;
- the default by a tenant or guarantor under any lease;
- costs relating to maintenance and repair of our facilities and the need to make expenditures due to changes in governmental regulations, such as the Americans with Disabilities Act or remediation of unknown environmental hazards; and
- acts of God and act of terrorism affecting our properties.

Our revenues may decline due to reductions in Medicare and Medicaid reimbursement rates.

The success of our business is largely dependent upon our medical professional customers' ability to provide diagnostic care to their patients in an economically sustainable manner, either through the purchase of our imaging systems or using our diagnostic services, or both. Our customers are directly impacted by changes (decreases and increases) in governmental and private payor reimbursements for diagnostic services. We are directly and indirectly impacted by changes in reimbursements. In our businesses, where we are indirectly affected by reimbursement changes, we make every effort to act as business partners with our physician customers. For example, in 2010, we proactively adjusted our diagnostic imaging services rates down due to the dramatic reimbursement declines that our customers experienced from the Centers for Medicare & Medicaid Services. Reimbursements remain a source of concern for our customers and downward pressure on reimbursements causes greater pricing pressure on our services and influences the buying decisions of our customers. Although the gap is closing, hospital reimbursements remain higher than in-office reimbursements. Our Diagnostic Imaging segment's products are targeted to serve the hospital market. A smaller portion of our Diagnostic Services business segment operates in the hospital market.

Reductions in reimbursements could significantly impact the viability of in-office imaging performed by independent physicians, as well as the viability of our cardiac event monitoring services business. The historical decline in reimbursements in diagnostic imaging has resulted in cancellations of imaging days in our Diagnostic Services business and the delay of purchase and service decisions by our existing and prospective customers in our Diagnostic Imaging business.

Our Diagnostic Services revenues may decline due to changes in diagnostic imaging regulations and the use of third party benefit managers by states and private payors to drive down diagnostic imaging volumes.

Nuclear medicine is a "designated health service" under the federal physician self-referral prohibition law known as the "Stark Law," which states that a physician may not refer designated health services to an entity with which the physician or an immediate family member has a financial relationship, unless a statutory exception applies. Our business model and service agreements are structured to enable our physician customers to meet the statutory in-office ancillary services ("IOAS") exception to the Stark Law, allowing them to perform nuclear diagnostic imaging services on their patients in the convenience of their own office. From time-to-time, the Centers for Medicare and Medicaid Services and Congress have proposed to modify the IOAS to further limit or eliminate this exception. Various lobbying organizations, including the Medicare Payment Advisory Commission ("MedPAC"), in the past have pushed for, discussed, and recommended that Congress limit the availability of the IOAS exception in order to reduce federal healthcare costs. Legislation has been introduced in prior Congresses to modify or eliminate the exception, but has not been enacted. The outcome of these efforts is uncertain at this time; however, the limitation or elimination of the IOAS exception could significantly impact our Diagnostic Services business segment as currently structured.

Our customers who perform imaging services in their office also experience the continuing efforts by some private insurance companies to reduce healthcare expenditures by hiring radiology benefit managers to help them manage and limit imaging. The federal government has also set aside monies in the 2009 recession recovery acts to hire radiology benefit managers to provide image management services to Medicare/Medicaid and MedPAC has recommended and the Centers for Medicare & Medicaid Services has, in the past, proposed legislation requiring Medicare physicians who engage in a relatively high volume of medical imaging be required to obtain pre-authorization through a radiology benefit manager. A radiology benefit manager is an unregulated entity that performs various functions for private payors and managed care organizations. Radiology benefit manager activities can include pre-authorization for imaging procedures, setting and enforcing standards, approving which contracted physicians can perform the services, such as requiring even the most experienced and highly qualified cardiologists to obtain additional board certifications, or interfering with the financial decision of the private practitioner by requiring them to own their own imaging system and not allowing them to lease the system. The radiology benefit managers often do not provide written documentation of their decisions or an appeals process, leaving leasing physicians unable to challenge their decisions with the carrier or the state insurance department. Unregulated radiology benefit manager activities have and could continue to adversely affect our physician customers' ability to receive reimbursement, therefore impacting our customers' decision to utilize our Diagnostic Services imaging services.

Operating results may be adversely affected by changes in the costs and availability of supplies and materials.

Manufacturing and providing service for our nuclear imaging cameras is highly dependent upon the availability of certain suppliers; thereby making us vulnerable to supply problems and price fluctuations that could harm our business. Our manufacturing process within Diagnostic Imaging, and our warranty and post-warranty camera support business, rely on a limited number of third parties to supply certain key components and manufacture our products. Alternative sources of production and supply may not be readily available or may take several months to scale-up and develop effective production processes. If a disruption in the availability of parts or in the operations of our suppliers were to occur, our ability to have gamma cameras built as well as our ability to provide support could be materially adversely affected. In certain cases, we have developed backup plans and have alternative procedures should we experience a disruption. However, if these plans are unsuccessful or if we have a single source, delays in the production and support of our gamma cameras for an extended period of time could cause a loss of revenue and/or higher production and support costs, which could significantly harm our business and results of operations.

Our Diagnostic Services operations are highly dependent upon the availability of certain radiopharmaceuticals, thereby making us vulnerable to supply problems and price fluctuations that could harm our business. Our Diagnostic Service business involves the use of radiopharmaceuticals. There is a limited number of major nuclear reactors supplying medical radiopharmaceuticals worldwide and there is no guarantee that the reactors will remain in good repair or that our supplier will have continuing access to ample supply of our radiopharmaceutical product. If we are unable to obtain an adequate supply of the necessary radiopharmaceuticals, we may be unable to utilize our personnel and equipment through our in-office service operations, or the volume of our services could decline and our business may be adversely affected. Shortages can also cause price increases that may not be accounted for in third party reimbursement rates, thereby causing us to lose margin or require us to pass increases on to our physician customers.

Our Building and Construction operating results could be adversely affected by changes in the cost and availability of raw materials. Prices and availability of raw materials used to manufacture its products can change significantly due to fluctuations in supply and demand. Additionally, availability of the raw materials used to manufacture its products may be limited at times resulting in higher prices and/or the need to find alternative suppliers. Both KBS's and EBGL's major material components are dimensional lumber and wood sheet products, which include plywood and oriented strand board. Lumber costs are subject to market fluctuations. Furthermore, the cost of raw materials may also be influenced by transportation costs. It is not certain that any price increases can be passed on to its customers without affecting demand or that limited availability of materials will not impact its production capabilities. The state of the financial and housing markets may also impact its suppliers and affect the availability or pricing of materials. ATRM's inability to raise the price of its products in response to increases in prices of raw materials or to maintain a proper supply of raw materials could have an adverse effect on its revenue and earnings.

Our quarterly and annual financial results are difficult to predict and are likely to fluctuate from period to period.

We have historically experienced seasonality in all of our businesses, volatility due to the changing healthcare environment, the variable supply of radiopharmaceuticals, and downturns based on the changing U.S. economy. While our customers are typically obligated to pay us for imaging days to which they have committed, our contracts permit some flexibility in scheduling when services are to be performed. We cannot predict with certainty the degree to which seasonal circumstances such as the summer slowdown, winter holiday vacations, and weather conditions may affect the results of our operations. We have also experienced fluctuations in demand of our diagnostic imaging product sales due to economic conditions, capital budget availability, and other financial or business reasons, most recently the abrupt increases of quarantine restrictions and reduced demand due to the COVID-19 pandemic. In addition, due to the way that customers in our target markets acquire our products, a large percentage of our products are booked during the last month of each quarterly accounting period, and often there can be a large amount in the last month of the year. As such, a delivery delay of only a few days may significantly impact quarter-to-quarter comparisons of our results of operations. Moreover, the sales cycle for all of our capital products is typically lengthy, particularly in the hospital market, which may cause us to experience significant revenue fluctuations.

We spend considerable time and money complying with federal and state laws, regulations, and other rules which may fluctuate based on healthcare policy, and if we are unable to fully comply with such laws, regulations, and other rules, we could face substantial penalties.

Through our Healthcare businesses we are directly, or indirectly through our customers, subject to extensive regulation by both the federal government and the states in which we conduct our business, including: the federal Medicare and Medicaid anti-kickback laws and other Medicare laws, regulations, rules, manual provisions, and policies that prescribe requirements for coverage and payment for services performed by us and our physician customers; the federal False Claims statutes; the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, as amended in 2009 under the HITECH Act that places direct legal obligations and higher liability on us with respect to the security and handling of personal health information; the Stark Law; the federal Food, Drug and Cosmetic Act; federal and state radioactive materials laws; state food and drug and pharmacy laws and regulations; state laws that prohibit the practice of medicine by non-physicians and fee-splitting arrangements between physicians and non-physicians; state scope-of-practice laws; and federal rules prohibiting the mark-up of diagnostic tests to Medicare under certain circumstances. If our customers are unable or unwilling to comply with these statutes, regulations, rules, and policies, rates of our services and products could decline and our business could be harmed.

Our Building and Construction businesses are subject to various federal, state and local laws and regulations that govern numerous aspects of its business. In recent years, a number of new laws and regulations have been adopted, and there has been expanded enforcement of certain existing laws and regulations by federal, state and local agencies. These laws and regulations, and related interpretations and enforcement activity, may change as a result of a variety of factors, including political, economic or social events. Changes in, expanded enforcement of, or adoption of new federal, state or local laws and regulations governing minimum wage or living wage requirements; the classification of exempt and non-exempt employees; the distinction between employees and contractors; other wage, labor or workplace regulations; healthcare; data protection and cybersecurity; the sale and pricing of some of its products; transportation; logistics; supply chain transparency; taxes; unclaimed property; energy costs and consumption; or environmental matters could increase its costs of doing business or impact its operations.

We maintain a compliance program to identify and correct any compliance issues and remain in compliance with all applicable laws, to train employees, to audit and monitor our operations, and to achieve other compliance goals. Like most companies with compliance programs, we occasionally discover compliance concerns. In such cases, we take responsive action, including corrective measures when necessary. There can be no assurance that our responsive actions will insulate us from liability associated with any detected compliance concerns.

If our past or present operations are found to be in violation of any of the laws, regulations, rules, or policies described above or the other laws or regulations to which we or our customers are subject, we may be subject to civil and criminal penalties, damages, fines, exclusion from federal or state healthcare programs, or the curtailment or restructuring of our operations. Similarly, if our physician customers are found to be non-compliant with applicable laws, they may be subject to sanctions that could have a negative impact on us. Any penalties, damages, fines, curtailment, or restructuring of our operations could adversely affect our ability to operate our business and our financial results. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses, divert our management's attention from the operation of our business, and damage our reputation. Although compliance programs can mitigate the risk of investigation and prosecution for violations of these laws, regulations, rules, and policies, the risks cannot be entirely eliminated. Moreover, achieving and sustaining compliance with applicable federal and state privacy, security, and fraud laws may prove costly.

We are subject to risks associated with self-insurance related to health benefits.

To help control our overall long-term costs associated with employee health benefits, we are self-insured up to certain limits for our health plans. As such, we are subject to risks associated with self-insurance of these health plan benefits. To limit our exposure, we have third party stop-loss insurance coverage for both individual and aggregate claim costs. However, we could still experience unforeseen and potentially significant fluctuations in our healthcare costs based on a higher than expected volume of claims below these stop-loss levels. These fluctuations could have a material adverse effect on our financial position and results of operations.

A portion of our operations are located in a facility that may be at risk from fire, earthquakes, or other disasters.

Final assembly in our manufacturing process and significant portions of our inventory are located in a single facility in Poway, California, near known fire areas and earthquake fault zones. Future natural disasters could cause substantial delays in our operations and cause us to incur additional expenses. Although we have taken precautions to insure our facilities and continuing operations, as well as provide for offsite back-up of our information systems, this may not be adequate to cover our losses in any particular case.

The medical device industry is litigious, which could result in the diversion of our management's time and efforts, and require us to incur expenses and pay damages that may not be covered by our insurance.

Our operations entail risks of claims or litigation relating to product liability, radioactive contamination, patent infringement, trade secret disclosure, warranty claims, vendor disputes, product recalls, property damage, misdiagnosis, breach of contract, personal injury, and death. Any litigation or claims against us, or claims we bring against others, may cause us to incur substantial costs, could place a significant strain on our financial resources, divert the attention of our management from our core business, and harm our reputation. We may incur significant liability in the event of any such litigation, regardless of the merit of the action. If we are unable to obtain insurance, or if our insurance is inadequate to cover claims, our cash reserves and other assets could be negatively impacted. Additionally, costs associated with maintaining our insurance could become prohibitively expensive, and our ability to become or remain profitable could be diminished.

If we cannot provide quality technical and applications support, we could lose customers and our business and prospects will suffer.

The placement of our products and the introduction of our technology at new customer sites requires the services of highly trained technical support personnel. Hiring technical support personnel is very competitive in our industry due to the limited number of people available with the necessary scientific and technical backgrounds and ability to understand our technology at a technical level. If we are unable to attract, train or retain the number of highly qualified technical services personnel that our business needs, our business and prospects will suffer.

Our long-term results depend upon our ability to improve existing products and services and develop, introduce, and market new products and services successfully.

Our business is dependent on the continued improvement of our existing products and services and our development of new products and services utilizing our current or other potential future technology. As we introduce new products and services or refine, improve or upgrade versions of existing products and services, we cannot predict the level of market acceptance or the amount of market share these products and services will achieve, if any. We cannot assure you that we will not experience material delays in the introduction of new products or services in the future.

We generally sell our products and services in industries that are characterized by rapid technological changes, frequent new product introductions and changing industry standards. If we do not develop new products and services and product enhancements based on technological innovation on a timely basis, our products and services may become obsolete over time and our revenues, cash flow, profitability and competitive position may suffer. Even if we successfully innovate and develop new products, services and product enhancements, we may incur substantial costs in doing so, and our profitability may suffer.

We may face risks associated with launching new products and services. If we encounter development or manufacturing challenges or discover errors during our product development cycle, the product launch dates of new products and services may be delayed. The expenses or losses associated with unsuccessful product development or launch activities or lack of market acceptance of our new products and services could adversely affect our business or financial condition.

Our ability to protect our intellectual property and proprietary technology through patents and other means is uncertain.

We rely on patent protection as well as trademark, copyright, trade secret and other intellectual property rights protection and contractual restrictions to protect our proprietary technologies, all of which provide limited protection and may not adequately protect our rights or permit us to gain or keep any competitive advantage. Our success depends, in part, on our ability to protect our proprietary rights to the technologies used in our products. If we fail to protect and/or maintain our intellectual property, third parties may be able to compete more effectively against us, we may lose our technological or competitive advantage, and/or we may incur substantial litigation costs in our attempts to recover or restrict use of our intellectual property.

We do not have any pending patent applications. We cannot assure investors that we will continue to innovate and file new patent applications, or that if filed any future patent applications will result in granted patents. Further, we cannot predict how long it will take for such patents to issue, if at all. It is possible that, for any of our patents that have issued or that may issue in the future, our competitors may design their products around our patented technologies. Further, we cannot assure investors that other parties will not challenge any patents granted to us, or that courts or regulatory agencies will hold our patents to be valid, enforceable, and/or infringed. We cannot guarantee investors that we will be successful in defending challenges made against our patents and patent applications. Any successful third-party challenge or challenges to our patents could result in the unenforceability or invalidity of such patents, or such patents being interpreted narrowly and/or in a manner adverse to our interests. Our ability to establish or maintain a technological or competitive advantage over our competitors and/or market entrants may be diminished because of these uncertainties. For these and other reasons, our intellectual property may not provide us with any competitive advantage.

To the extent our intellectual property offers inadequate protection, or is found to be invalid or unenforceable, we would be exposed to a greater risk of direct or indirect competition. If our intellectual property does not provide adequate coverage of our competitors' products, our competitive position could be adversely affected, as could our business.

The measures that we use to protect the security of our intellectual property and other proprietary rights may not be adequate, which could result in the loss of legal protection for, and thereby diminish the value of, such intellectual property and other rights or we may need to enter into costly license agreements in the future.

In addition to pursuing patents on our technology, we also rely upon trademarks, trade secrets, copyrights and unfair competition laws, as well as license agreements and other contractual provisions, to protect our intellectual property and other proprietary rights. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated. In addition, we take steps to protect our intellectual property and proprietary technology by entering into confidentiality agreements and intellectual property assignment agreements with our employees, consultants, corporate partners and, when needed, our advisors. Such agreements may not be enforceable or may not provide meaningful protection for our trade secrets and/or other proprietary information in the event of unauthorized use or disclosure or other breaches of the agreements, and we may not be able to prevent such unauthorized disclosure. Moreover, if a party having an agreement with us has an overlapping or conflicting obligation to a third party, our rights in and to certain intellectual property could be undermined. Monitoring unauthorized and inadvertent disclosure is difficult, and we do not know whether the steps we have taken to prevent such disclosure are, or will be, adequate. If we were to enforce a claim that a third party had illegally obtained and was using our trade secrets, it would be expensive and time consuming, the outcome would be unpredictable, and any remedy may be inadequate.

If we are sued for infringing intellectual property rights of third parties, it would be costly and time consuming, and an unfavorable outcome in that litigation could have a material adverse effect on our business.

Our success also depends on our ability to develop, manufacture, market and sell our products and perform our services without infringing the proprietary rights of third parties. Numerous U.S. issued patents and pending patent applications owned by third parties exist in the fields in which we are developing products and services. As part of a business strategy to impede our successful commercialization and entry into new markets, competitors may allege that our products and/or services infringe their intellectual property rights.

We could incur substantial costs and divert the attention of our management and technical personnel in defending ourselves against claims of infringement made by third parties. Any adverse ruling by a court or administrative body, or perception of an adverse ruling, may have a material adverse impact on our ability to conduct our business and our finances. Moreover, third parties making claims against us may be able to obtain injunctive relief against us, which could block our ability to offer one or more products or services and could result in a substantial award of damages against us. Intellectual property litigation can be very expensive, and we may not have the financial means to defend ourselves.

Because patent applications can take many years to issue, there may be pending applications, some of which are unknown to us, that may result in issued patents upon which our products or proprietary technologies may infringe. Moreover, we may fail to identify issued patents of relevance or incorrectly conclude that an issued patent is invalid or not infringed by our technology or any of our products.

Our issued patents could be found invalid or unenforceable if challenged in court, at the USPTO or other administrative agency, or in other lawsuits which could have a material adverse impact on our business.

Any patents we have obtained or do obtain may be challenged by re-examination or otherwise invalidated or eventually found unenforceable. Both the patent application process and the process of managing patent disputes can be time consuming and expensive. If we were to initiate legal proceedings against a third party to enforce a patent related to one of our products or services, the defendant in such litigation could counterclaim that our patent is invalid and/or unenforceable. Third parties may also raise similar claims before the USPTO even outside the context of litigation. The outcome is unpredictable following legal assertions of invalidity and unenforceability. With respect to the validity question, for example, we cannot be certain that no invalidating prior art existed of which we and the patent examiner were unaware during prosecution. These assertions may also be based on information known to us or the USPTO. If a defendant or third party were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the claims of the challenged patent. Such a loss of patent protection would or could have a material adverse impact on our business.

Competitors may attempt to challenge or invalidate our patents, or may be able to design alternative techniques or devices that avoid infringement of our patents that have issued or that may issue in the future, or develop products with functionalities that are comparable to ours. In the event a competitor infringes upon our patent or other intellectual property rights, litigation to enforce our intellectual property rights or to defend our patents against challenge, even if successful, could be expensive and time consuming and could require significant time and attention from our management. We may not have sufficient resources to enforce our intellectual property rights or to defend our patents against challenges from others.

An adverse result in any such litigation proceedings could put one or more of our patents at risk of being invalidated, being found to be unenforceable, and/or being interpreted narrowly and could impact the validity or enforceability positions of our other patents. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. In addition, an adverse outcome in such litigation or proceedings may expose us to loss of our proprietary position, expose us to significant liabilities, or require us to seek licenses that may not be available on commercially acceptable terms, if at all.

We may make financial investments in other businesses that may lose value.

As we look for the best ways to deploy our capital and maximize our returns for our businesses and shareholders, we may make financial investments in other businesses or processes for purposes of enhancing our supply chain, creating financial returns, strategic developments, or other purposes. These investments may be speculative in nature, and there is no guarantee that we will experience a financial return and we may lose our entire principal balance if not successful.

We face risks related to health pandemics and other widespread outbreaks of contagious disease, including the novel coronavirus, COVID-19, which could significantly disrupt our operations and impact our financial results.

Our business has been disrupted and could be materially adversely affected beyond 2020 by the recent outbreak of COVID-19. The outbreak and government measures taken in response have also had a significant impact, both direct and indirect, on businesses and commerce. Global health concerns, such as coronavirus, could also result in social, economic, and labor instability in the countries in which we or the third parties with whom we engage operate. The future progression of the outbreak and its effects on our business and operations are uncertain. We cannot presently predict the scope and severity of any potential business shutdowns or disruptions, including downturns in global economies and financial markets that could affect our future operating results. Any adverse impact on our results and financial condition could have a negative impact on our ability to comply with certain financial covenants in certain of our loan agreements (as described further below) and on your investment in our common stock.

Our goodwill and other long-lived assets are subject to potential impairment that could negatively impact our earnings.

A significant portion of our assets consists of goodwill and other long-lived assets, the carrying value of which may be reduced if we determine that those assets are impaired. At December 31, 2020, goodwill and net intangible assets represented $26.4 million, or 29.9% of our total assets. In addition, net property, plant and equipment assets totaled $9.8 million, or 11.1% of our total assets. If actual results differ from the assumptions and estimates used in our goodwill and long-lived asset valuation calculations, we could incur impairment charges, which could negatively impact our earnings.

We review our reporting units for potential goodwill impairment annually or more often if events or circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In addition, we test the recoverability of long-lived assets if events or circumstances indicate the carrying values may not be recoverable. Recoverability of long-lived assets is measured by comparison of their carrying amounts to future undiscounted cash flows the assets are expected to generate. We conduct impairment testing based on our current business strategy in light of present industry and economic conditions, as well as future expectations. There are numerous risks that may cause the fair value of a reporting unit to fall below its carrying amount and/or the value of long-lived assets to not be recoverable, which could lead to the measurement and recognition of goodwill and/or long-lived asset impairment. These risks include, but are not limited to, significant negative variances between actual and expected financial results, lowered expectations of future financial results, failure to realize anticipated synergies from acquisitions, adverse changes in the business climate, and the loss of key personnel. If we are not able to achieve projected performance levels, future impairments could be possible, which could negatively impact our earnings.

On September 10, 2019, Star Equity completed its acquisition of ATRM pursuant to the ATRM Merger Agreement. The $8.2 million goodwill recognized is attributable primarily to expected synergies and the assembled workforce of ATRM. As of December 31, 2019, there was a subsequent measurement of goodwill that resulted in an adjustment of $3.0 thousand to the recognized amounts of goodwill resulting from the acquisition of ATRM.

We recorded an impairment loss of $0.4 million associated with the impairment assessment of the EBGL reporting unit as of December 31, 2020. No other significant impairment losses on long-lived assets were recognized during the years ended December 31, 2019. See Note 3. *Basis of Presentation,* Note 6. *Merger* and Note 9. *Goodwill*, within the notes to our accompanying consolidated financial statements for further discussion regarding goodwill and long-lived assets.

The pending sale of DMS Health is subject to closing conditions, the failure of any of which (including failure to obtain certain approvals), could result in our inability to consummate the transaction and, consequently, adversely affect our business, financial condition, results of operations or our stock price.

On October 30, 2020, we entered into the DMS Purchase Agreement to sell all of the issued and outstanding common stock of DMS Health. The purchase price for the DMS Sale Transaction is $18.75 million in cash, subject to certain adjustments, including a working capital adjustment. The completion of the DMS Sale Transaction is subject to receipt of certain consents and closing conditions.

We have spent time and money on the pending sale of DMS Health but we may not be able to consummate the transaction if we fail to obtain the necessary consents and approvals or to satisfy other conditions to closing. In addition, we expect to incur transaction costs in connection with the pending sale of DMS Health, whether or not the transaction is completed.

Under the terms of the DMS Purchase Agreement, we are subject to certain restrictions on the conduct of DMS Health's business prior to the completion of the pending sale, which restrictions could adversely affect our ability to realize certain business strategies or take advantage of certain business opportunities. In addition, the current trading price of our common stock and the Company Preferred Stock may reflect a market assumption that the sale of DMS Health will be completed. If we are unable to consummate the sale of DMS Health, we may be unable to find another party willing to purchase DMS Health on equally favorable terms or at all. The failure to complete the sale of DMS Health may adversely affect our business, financial condition, results of operations, and our stock price.

If KBS is unable to maintain or establish its relationships with independent dealers and contractors who sell its homes, KBS revenue could decline.

KBS sells residential homes through a network of independent dealers and contractors. As is common in the modular home industry, KBS's independent dealers may also sell homes produced by competing manufacturers and can cancel their relationships with KBS on short notice. In addition, these dealers may not remain financially solvent, as they are subject to industry, economic, demographic and seasonal trends similar to those faced by KBS. If KBS is not able to maintain good relationships with its dealers and contractors or establish relationships with new solvent dealers or contractors, KBS's revenue could decline.

Due to the nature of our business, many of our expenses are fixed costs and if there are decreases in demand for products, it may adversely affect operating results.

Many of our expenses, particularly those relating to properties, capital equipment, and certain manufacturing overhead items, are fixed in the short term. Reduced demand for products causes fixed production costs to be allocated across reduced production volumes, which may adversely affect gross margins and profitability.

Due to the nature of the work the Company and its subsidiaries perform, the Company may be subject to significant liability claims and disputes.

The Company and its wholly owned subsidiaries engage in services that can result in substantial injury or damages that may expose the Company to legal proceedings, investigations and disputes. For example, in the ordinary course of its business, the Company may be involved in legal disputes regarding personal injury and wrongful death claims, employee or labor disputes, professional liability claims, and general commercial disputes, as well as other claims. LSVM as an exempt reporting advisor may also be subject to legal proceedings and investigations with the SEC or other regulatory bodies and may have disputes related to its fiduciary duties to the funds or instruments LSVM manages. An unfavorable legal ruling against the Company or its subsidiaries could result in substantial monetary damages. Although the Company has adopted a range of insurance, risk management, safety, and risk avoidance programs designed to reduce potential liabilities, there can be no assurance that such programs will protect the Company fully from all risks and liabilities. If the Company sustains liabilities that exceed its insurance coverage or for which the Company is not insured, it could have a material adverse impact on its results of operations and financial condition.

Risks Related to our Indebtedness

On March 29, 2019, Star Equity and certain of the Healthcare Subsidiaries entered into a Loan and Security Agreement with Sterling (the "SNB Loan Agreement"). The SNB Loan Agreement is a five-year revolving credit facility (maturing in March 2024), which, as amended, has a maximum credit amount of $20 million (the "SNB Credit Facility"). On January 31, 2020, Star Equity and certain of its Investments Subsidiaries entered into a Loan and Security Agreement with Gerber (as amended, the "Star Loan Agreement"), which provides for a credit facility with borrowing availability of up to $2.5 million and matures on January 1, 2025, unless terminated in accordance with the terms therein (the "Star Loan"). On January 31, 2020, Star Equity and certain of its Construction Subsidiaries entered into a Loan and Security Agreement with Gerber (the "EBGL Loan Agreement"), which provides for a credit facility with borrowing availability of up to $3.0 million and matures on January 1, 2022, unless extended or terminated in accordance with the terms therein (the "EBGL Loan"). On January 31, 2020, Glenbrook and EdgeBuilder entered into an Extension and Modification Agreement (the "Modification Agreement") with Premier Bank ("Premier") that modified the terms of the loan made by Premier to Glenbrook and EdgeBuilder pursuant to that certain Revolving Credit Loan Agreement, dated June 30, 2017, by and among Glenbrook, EdgeBuilder and Premier (as amended, the "Premier Loan Agreement"). Pursuant to the Modification Agreement, the amount of indebtedness evidenced by the promissory note issued under the Premier Loan Agreement was reduced to $1.0 million. The credit facility under the Loan and Security Agreement, dated February 23, 2016, by and among KBS, ATRM, the Company and Gerber (as amended, the "KBS Loan Agreement") provides for a revolving credit facility of up to $4.0 million that matures on February 22, 2021, subject to automatic extension for an additional year unless terminated. The SNB Loan Agreement, Star Loan Agreement, EBGL Loan Agreement, the Premier Loan Agreement and the KBS Loan Agreement are individually referred to as the "Company Loan Agreement" and collectively referred to as the "Company Loan Agreements." See Note 16. *Related Party Transactions*, within the notes to our accompanying consolidated financial statements for information regarding certain ATRM promissory notes that are outstanding.

Our indebtedness could restrict our operations and make us more vulnerable to adverse economic conditions.

Our indebtedness could have important consequences for us and our stockholders. For example, the SNB Loan Agreement requires a balloon payment at the termination of the facility in March 2024, which payments may require us to dedicate a substantial portion of our cash flow from operations to this future payment if we feel we cannot be successful in our ability to refinance in the future, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, and acquisitions, and for other general corporate purposes. In addition, our indebtedness could:

- increase our vulnerability to adverse economic and competitive pressures in our industry;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit our flexibility in planning for, or reacting to, changes in our business and our industry; and
- limit our ability to borrow additional funds on terms that are acceptable to us or at all.

The Company Loan Agreements governing our indebtedness contain restrictive covenants that restrict our operating flexibility and require that we maintain specified financial ratios. If we cannot comply with these covenants, we may be in default under one or more of the Company Loan Agreements.

The Company Loan Agreements governing our indebtedness contain restrictions and limitations on our ability to engage in activities that may be in our long-term best interests. The Company Loan Agreements contain affirmative and negative covenants that limit and restrict, among other things, our ability to:

- incur additional debt;
- sell assets;
- incur liens or other encumbrances;
- make certain restricted payments and investments;
- acquire other businesses; and
- merge or consolidate.

The SNB Loan Agreement limits our ability to pay dividends and to redeem our equity securities if such dividend or redemption would result in our non-compliance with the financial covenants in the SNB Loan Agreement, there is insufficient borrowing availability under the SNB Loan Agreement, or if there is a default or event of default under the SNB Loan Agreement that has occurred and is continuing. In addition, the Company Loan Agreements include explicit restrictions on the payment of dividends and distributions to Star Equity, which could limit the Company's ability to pay dividends. The Company may, therefore be required to reduce or eliminate its dividends, if any, including on the Company Preferred Stock (if any outstanding), and/or may be unable to redeem shares of the Company Preferred Stock (if any outstanding) until compliance with such financial covenants can be met.

The Company Loan Agreements contain various financial covenants that, going forward, we or our subsidiaries may not have the ability to meet. The Company Loan Agreements also contain various other affirmative and negative covenants regarding, among other things, the performance of our business, capital allocation decisions made by the Company and its subsidiaries, or events beyond our control.

Our failure to comply with our covenants and other obligations under the Company Loan Agreements may result in an event of default thereunder. A default, if not cured or waived, may permit acceleration of our indebtedness. If our indebtedness is accelerated, we cannot be certain that we will have sufficient funds available to pay the accelerated indebtedness (together with accrued interest and fees), or that we will have the ability to refinance the accelerated indebtedness on terms favorable to us or at all. This could have serious consequences to our financial condition, operating results, and business, and could cause us to become insolvent or enter bankruptcy proceedings, and stockholders may lose all or a portion of their investment because of the priority of the claims of our creditors on our assets.

We may not be entitled to forgiveness of loans we received under the Paycheck Protection Program ("PPP"), and our applicable for such loans could in the future be determined to have been impermissible.

During April and May, we received proceeds of $6.7 million from various loans under the PPP of the CARES Act (the "PPP Loans"). The PPP Loans mature in April and May, 2022 and bear annual interest at a rate of 1.0%.

If no forgiveness is granted or if an unsatisfactory SBA audit is completed, then commencing September and October 2021 we will be required to pay the lenders of the PPP Loans equal monthly payments of principal and interest as required to fully amortize by April and May, 2022 any principal amount outstanding on the PPP Loans. Under the CARES Act, loan forgiveness is generally available for the sum of documented payroll costs, covered rent payments, covered mortgage interest and covered utilities during the twenty-four week period beginning on the date the lender makes the first disbursement of the PPP Loan. We will be required to repay any portion of the outstanding principal that is not forgiven, along with accrued interest, and we cannot provide any assurance that we will be eligible for loan forgiveness, or a favorable SBA audit. Although, we have applied for forgiveness equally among all business entities, and were forgiven $2.5 million as of December 2020 and an additional $1.2 million in Q1 2021, no assurance is provided that forgiveness for any additional portion of the PPP Loans will ultimately be forgiven by the U.S. Small Business Administration ("SBA").

The Company has received full loan forgiveness from the SBA for the DMS Health Note, DMS Imaging Note, KBS Note, EBGL Notes, and Company Note. The Company has sought full forgiveness from the SBA on the DIS Note based on the satisfaction of applicable criteria and guidelines. PPP Loan forgiveness is sought under the belief all entities requesting loan forgiveness have met the stated criteria and guidelines provided by the SBA and terms of the CARES Act; however, no assurance can be provided that forgiveness for any portion of the PPP Loans will be obtained and all PPP loans may remain subject to review by the SBA even after the PPP Loans have been discharged.

In April 2020, the Secretary of the U.S. Department of the Treasury stated that the SBA will perform a full review of any PPP loan over $2.0 million before forgiving the loan. In order to apply for the PPP Loan, we were required to certify, among other things, that the current economic uncertainty made the PPP Loan requests necessary to support our ongoing operations. We made this certification in good faith after analyzing, among other things, the maintenance of our entire workforce, taking into consideration certain limitations associated with the nature of our work in the healthcare business and uncertainty of the industry where healthcare clients resources may be diverted during the COVID-19 pandemic. In considering our position, the Company took into account our need for additional funding to continue operations, and our ability to access alternative forms of capital in the current market environment to offset the effects of the COVID-19 pandemic. Following this analysis, we believe that we satisfied all eligibility criteria for the PPP Loans, and that our receipt of the PPP Loans is consistent with the broad objectives of the PPP of the CARES Act. The certification described above did not contain any objective criteria and is subject to interpretation. If, despite our good-faith belief that given our circumstances we satisfied all eligible requirements for the PPP Loans, we are later determined to have violated any applicable laws or regulations or it is otherwise determined that we were ineligible to receive the PPP Loans, we may be required to repay the PPP Loans in their entirety and/or be subject to additional penalties, which could also result in adverse publicity and damage to reputation. In addition, if these events were to transpire, they could have a material adverse effect on our business, results of operations and financial condition.

Substantially all of our assets (including the assets of our subsidiaries) have been pledged to lenders as security for our indebtedness under the Company Loan Agreements.

The Company Loan Agreements are secured by a first-priority security interest in substantially all of the assets of the Company and its subsidiaries and a pledge of all shares and equity interests of the Company's subsidiaries. Upon the occurrence and during the continuation of an event of default under any Company Loan Agreement, the applicable lender may, among other things, declare the loans and all other obligations thereunder immediately due and payable and may, in certain instances, increase the interest rate at which loans and obligations bear interest. The exercise by a lender of remedies provided under the applicable Company Loan Agreement in the event of a default thereunder may have a material adverse effect on the liquidity, financial condition and results of operations of the applicable borrowers and/or the Company and could cause such borrowers and/or the Company to become bankrupt or insolvent. The obligations of the Company and various subsidiaries of the Company under the Company Loan Agreements are guaranteed by other subsidiaries of the Company and/or the Company. In the event of any bankruptcy, liquidation, dissolution, reorganization, or similar proceeding against us, the assets that are pledged as collateral securing any unpaid amounts under the applicable Company Loan Agreement must first be used to pay such amounts, as well as any other obligation secured by the pledged assets, in full, before making any distributions to our stockholders. In the event of any of the foregoing, our stockholders could lose all or a part of their investment.

The inability of the Company or any of the Company's subsidiaries to comply with applicable financial covenants under the Company Loan Agreements could have a material adverse effect on financial condition of the Company.

KBS, as of December 31, 2020 and 2019 and EBGL as of December 31, 2020 were not in compliance with the financial covenants under the KBS Loan Agreement and EBGL loan agreements respectively which required no net annual post-tax loss and certain minimum leverage ratio covenant as of the end of year test dates. We obtained a waiver from Gerber for these events.

If the Company or any of the Company's subsidiaries fail to comply with any applicable financial covenants under the Company Loan Agreements to which they are a party, or if there is otherwise an event of default under the Company Loan Agreements by a borrower, the borrowers' obligations thereunder may (subject to any applicable cure periods) become immediately due and payable and the applicable lender(s) may demand the repayment of the credit facilities amount outstanding and any unpaid interest thereon.

If we are unable to generate or borrow sufficient cash to make payments on our indebtedness, our financial condition would be materially harmed, our business could fail, and stockholders may lose all of their investment.

Our ability to make scheduled payments on or to refinance our obligations will depend on our financial and operating performance, which will be affected by economic, financial, competitive, business, and other factors, some of which are beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations to service our indebtedness or to fund our other liquidity needs. If we are unable to meet our debt obligations or fund our other liquidity needs, we may need to restructure or refinance all or a portion of our indebtedness on or before maturity or sell certain of our assets. We cannot assure you that we will be able to restructure or refinance any of our indebtedness on commercially reasonable terms, if at all, which could cause us to default on our debt obligations and impair our liquidity. Any refinancing of our indebtedness could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations.

Increases in interest rates could adversely affect our results from operations and financial condition.

The SNB, Premier and Gerber Loan Agreements allow for amounts borrowed thereunder to be subject to a floating interest rate which may change with market interest rates. An increase in prevailing interest rates would have an effect on the interest rates charged on our variable rate debt, which rise and fall upon changes in interest rates. If prevailing interest rates or other factors result in higher interest rates, the increased interest expense would adversely affect our cash flow and our ability to service our indebtedness.

Risks Related to our Common Stock and our Company Preferred Stock

If we fail to pay dividends on our Company Preferred Stock for six or more consecutive quarters, holders of our Company Preferred Stock will be entitled to elect two additional directors to our board of directors.

To date no dividends have been paid on the Company Preferred Stock and as a result, cumulative dividends will continue to accrue as part of the liquidation value of the Company Preferred Stock. Whenever dividends on any shares of Company Preferred Stock are in arrears for six or more consecutive quarters, then the holders of those shares together with the holders of all other series of preferred stock equal in rank with the Company Preferred Stock upon which like voting rights have been conferred and are exercisable, will be entitled to vote separately as a class for the election of a total of two additional directors to Star Equity's board of directors. Holders of our common stock will not be entitled to vote no such additional directors.

The market price of our common stock may be volatile, and the value of your investment could decline significantly.

The market prices of our common stock and our Company Preferred Stock have been, and we expect them to continue to be, volatile. The prices at which our common stock and Company Preferred Stock trade depend upon a number of factors, including our historical and anticipated operating results, our financial situation, announcements of new products by us or our competitors, history of timely dividend payments, the annual yield from dividends on the Company Preferred Stock as compared to yields on other financial instruments, our ability or inability to raise the additional capital we may need and the terms on which we raise it, and general market and economic conditions. Some of these factors are beyond our control. Broad market fluctuations may lower the market price of our common stock and Company Preferred Stock and affect the volume of trading in our stock, regardless of our financial condition, results of operations, business, or prospects. It is impossible to assure you that the market price of our shares of common stock and Company Preferred Stock will not fall in the future.

Our common stock has a low trading volume and shares available under our equity compensation plans could affect the trading price of our common stock.

Our common stock historically has had a low trading volume. Any significant sales of our common stock may cause volatility in our stock price. We also have registered shares of common stock that we may issue under our employee benefit plans or from our treasury stock. Accordingly, these shares can be freely sold in the public market upon issuance, subject to restrictions under the securities laws. If any of these stockholders, or other selling stockholders, cause a large number of securities to be sold in the public market without a corresponding demand, the sales could reduce the trading price of our common stock. One or more stockholders holding a significant amount of our common stock might be able to significantly influence matters requiring approval by our stockholders, possibly including the election of directors and the approval of mergers or other business combination transactions.

Payment of dividends on our common stock is prohibited unless we have declared and paid (or set apart for payment) full accumulated dividends on the Company Preferred Stock, which also has a significant liquidation value.

Unless full cumulative dividends on the Company Preferred Stock have been, or contemporaneously are, declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all past dividend periods, no dividends (other than a dividend in shares of common stock or other shares of stock ranking junior to the Series A Preferred Stock as to dividends and upon liquidation) can be declared and paid or declared and set apart for payment on our common stock, nor can any shares of common stock be redeemed, purchased or otherwise acquired for any consideration by the Company. To date no dividends have been paid on the Company Preferred Stock and as a result, cumulative dividends will continue to accrue as part of the liquidation value of the Company Preferred Stock, which had a liquidation value of $10.00 per share at issuance. Dividends on the Company Preferred Stock are payable out of amounts legally available therefor at a rate equal to 10.0% per annum per $10.00 of stated liquidation preference per share, or $1.00 per share of Company Preferred Stock per year. Dividends on the Company Preferred Stock are only be payable in cash. As of December 31, 2019 and 2020, there were 1,915,637 shares of Company Preferred Stock Issued and Outstanding.

If Nasdaq delists the Company Preferred Stock from quotation on its exchange, investors' ability to make transactions in the Company Preferred Stock could be limited.

In order to continue listing the Company Preferred Stock on the Nasdaq Global Market, the Company must maintain certain financial, distribution and share price levels. We cannot assure you that the Company Preferred Stock will continue to be listed on the Nasdaq Global Market in the future. If our common stock is delisted from the Nasdaq Global Market, the Company Preferred Stock would be required to meet the more stringent initial listing standards of the Nasdaq Global Market for a Primary Equity Security. If the Company is unable to meet these standards and the Company Preferred Stock is delisted from the Nasdaq Global Market, the Company may apply to list the Company Preferred Stock on the Nasdaq Capital Market. If we are also unable to meet the listing standards for the Nasdaq Capital Market, we may apply to quote the Company Preferred Stock on the OTC Marketplace. If the Company is unable to maintain listing for the Company Preferred Stock, the ability to transfer or sell shares of the Company Preferred Stock will be limited and the market value of the Company Preferred Stock will likely be materially adversely affected.

The market for Company Preferred Stock may not provide investors with adequate liquidity.

The trading market for the Company Preferred Stock may not provide investors with adequate liquidity. Liquidity of the market for the Company Preferred Stock will depend on a number of factors, including prevailing interest rates, the Company's financial condition and operating results, the number of holders of the Company Preferred Stock, the market for similar securities and the interest of securities dealers in making a market in the Company Preferred Stock. The Company cannot predict the extent to which investor interest in the Company will maintain a trading market in the Company Preferred Stock, or how liquid that market will be. If an active market is not maintained, investors may have difficulty selling shares of the Company Preferred Stock.

The Company Preferred Stock will bear a risk in connection with redemption.

The Company may voluntarily redeem some or all of the Company Preferred Stock on or after September 10, 2024. Any such redemptions may occur at a time that is unfavorable to holders of the Company Preferred Stock. The Company may have an incentive to redeem the Company Preferred Stock voluntarily if market conditions allow the Company to issue other preferred stock or debt securities at a rate that is lower than the rate on the Company Preferred Stock. Also, upon the occurrence of a Change of Control Triggering Event (as defined in the Certificate of Designations, Rights and Preferences of 10% Series A Cumulative Perpetual Preferred Stock of the Company (the "Certificate of Designations")), prior to September 10, 2024, the Company may, at its option, redeem the Company Preferred Stock, in whole or in part.

Star Equity may not be able to redeem the Company Preferred Stock upon a Change of Control Triggering Event.

Upon the occurrence of a Change of Control Triggering Event, unless the Company has exercised its option to redeem the Company Preferred Stock after September 10, 2024, each holder of the Company Preferred Stock will have the right to require the Company to redeem all or any part of such holder's Company Preferred Stock at a price equal to the liquidation preference of $10.00 per share, plus an amount equal to any accumulated and unpaid dividends up to but excluding the date of payment, but without interest. If the Company experiences a Change of Control Triggering Event, there can be no assurance that the Company would have sufficient financial resources available to satisfy its obligations to redeem the Company Preferred Stock and any indebtedness that may be required to be repaid or repurchased as a result of such event. In addition, Star Equity may be unable to redeem the Company Preferred Stock upon a Change of Control Triggering Event if such redemption would result in our non-compliance with the financial covenants in the Company Loan Agreements. Star Equity's failure to redeem the Company Preferred Stock could have material adverse consequences for Star Equity and the holders of the Company Preferred Stock.

As a smaller reporting company, we are subject to scaled disclosure requirements that may make it more challenging for investors to analyze our results of operations and financial prospects.

Currently, we are a "smaller reporting company," as defined by Rule 12b-2 of the Exchange Act. As a "smaller reporting company," we are able to provide simplified executive compensation disclosures in our filings and have certain other decreased disclosure obligations in our filings with the SEC, including being required to provide only two years of audited financial statements in annual reports. Consequently, it may be more challenging for investors to analyze our results of operations and financial prospects.

Furthermore, we are a non-accelerated filer as defined by Rule 12b-2 of the Exchange Act, and, as such, are not required to provide an auditor attestation of management's assessment of internal control over financial reporting, which is generally required for SEC reporting companies under Section 404(b) of the Sarbanes-Oxley Act. Because we are not required to, and have not, had our auditor's provide an attestation of our management's assessment of internal control over financial reporting, a material weakness in internal controls may remain undetected for a longer period.

If we cannot continue to satisfy the Nasdaq Global Market continued listing standards and other Nasdaq rules, our common stock could be delisted, which would harm our business, the trading price of our common stock, our ability to raise additional capital and the liquidity of the market for our common stock.

Our common stock is currently listed on the Nasdaq Global Market. To maintain the listing of our common stock on the Nasdaq Global Market, we are required to meet certain listing requirements, including, among others, either: (i) a minimum closing bid price of $1.00 per share, a market value of publicly held shares (excluding shares held by our executive officers, directors and 10% or more stockholders) of at least $5.0 million and stockholders' equity of at least $10 million; or (ii) a minimum closing bid price of $1.00 per share, a market value of publicly held shares (excluding shares held by our executive officers, directors and 10% or more stockholders) of at least $15.0 million and total assets of at least $50.0 million and total revenue of at least $50.0 million (in the latest fiscal year or in two of the last three fiscal years).

There is no assurance that we will be able to maintain compliance with the minimum closing price requirement and other listing requirements. In the event that we fail to maintain compliance with Nasdaq listing requirements for 30 consecutive trading days, our common stock may be delisted from the Nasdaq Global Market. If our common stock were to be delisted from Nasdaq and was not eligible for quotation or listing on another market or exchange, trading of our common stock could be conducted only in the over-the-counter market or on an electronic bulletin board established for unlisted securities such as the Pink Sheets or the OTC Bulletin Board. In such event, it could become more difficult to dispose of, or obtain accurate price quotations for, our common stock, and there would likely also be a reduction in our coverage by securities analysts and the news media, which could cause the price of our common stock to decline further.

If securities or industry analysts do not publish research or reports about our business, or if they issue an adverse or misleading opinion regarding our stock, the price and trading volume of our securities could decline.

The trading market for our securities will be influenced by the research and reports that industry or securities analysts publish about us or our business. We do not currently have and may never obtain research coverage by securities and industry analysts. If no or few securities or industry analysts commence coverage of us, the trading price for our securities would be negatively impacted. In the event we obtain securities or industry analyst coverage, if any of the analysts who cover us issue an adverse or misleading opinion regarding us, our business model, our intellectual property or our stock performance, or if our clinical trials and operating results fail to meet the expectations of analysts, the price of our securities would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause the price or trading volume of our securities to decline.

If we become a personal holding company, our results could be negatively impacted.

We could be subject to a second level of U.S. federal income tax on a portion of our income if we are determined to be a personal holding company ("PHC") for U.S. federal income tax purposes. A U.S. corporation generally will be classified as a PHC for U.S. federal income tax purposes in a given taxable year if (i) at any time during the last half of such taxable year, five or fewer individuals (without regard to their citizenship or residency and including as individuals for this purpose certain entities such as certain tax-exempt organizations, pension funds and charitable trusts) own or are deemed to own (pursuant to certain constructive ownership rules) more than 50% of the stock of the corporation by value (by reference to all common, preferred and all other classes of stock) (the "Ownership Test") and (ii) at least 60% of the corporation's adjusted ordinary gross income, as determined for U.S. federal income tax purposes, for such taxable year consists of PHC income (which includes, among other things, dividends, interest, certain royalties, annuities and, under certain circumstances, rents) (the "Income Test").

Based on our knowledge, we believe we meet the Ownership Test discussed above. However, based on our present operations and income sources, we believe that we will not meet the Income Test, and as a result we should not be treated as a PHC for the foreseeable future. If we are or were to become a PHC in a given taxable year, we would be subject to an additional PHC tax, currently 20%, on our undistributed PHC income, which generally includes our taxable income (without the benefit of any federal net operating loss carry forward), subject to certain adjustments. We can give no assurance that we will not become a PHC in the future.

Holders of the Company Preferred Stock may be unable to use the dividends-received deduction and may not be eligible for the preferential tax rates applicable to "qualified dividend income."

Distributions paid to corporate U.S. holders of the Company Preferred Stock may be eligible for the dividends-received deduction, and distributions paid to non-corporate U.S. holders of the Company Preferred Stock may be subject to tax at the preferential tax rates applicable to "qualified dividend income," if the Company has current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. Additionally, the Company may not have sufficient current earnings and profits during future fiscal years for the distributions on the Company Preferred Stock to qualify as dividends for U.S. federal income tax purposes. If the distributions fail to qualify as dividends, U.S. holders would be unable to use the dividends-received deduction and may not be eligible for the preferential tax rates applicable to "qualified dividend income." If any distributions on the Company Preferred Stock with respect to any fiscal year are not eligible for the dividends-received deduction or preferential tax rates applicable to "qualified dividend income" because of insufficient current or accumulated earnings and profits, it is possible that the market value of the Company Preferred Stock might decline.

A holder of Company Preferred Stock has extremely limited voting rights.

The voting rights for a holder of Company Preferred Stock are limited. Our common stock is the only class of securities that carry full voting rights. Voting rights for holders of Company Preferred Stock exist primarily with respect to material and adverse changes in the terms of the Company Preferred Stock and the Company's failure to pay dividends on the Company Preferred Stock. Other than the limited circumstances described in the Certificate of Designations, and except to the extent required by law, holders of Company Preferred Stock do not have any voting rights.

The Company Preferred Stock is not convertible into common stock, including in the event of a change of control of the Company, and investors will not realize a corresponding upside if the price of our common stock increases.

The Company Preferred Stock is not convertible into shares of common stock and earns dividends at a fixed rate. Accordingly, an increase in market price of our common stock will not necessarily result in an increase in the market price of the Company Preferred Stock. The market value of the Company Preferred Stock may depend more on dividend and interest rates for other preferred stock, commercial paper and other investment alternatives and the Company's actual and perceived ability to pay dividends on, to redeem, and, in the event of dissolution, satisfy the liquidation preference with respect to the Company Preferred Stock.

Our cash available for dividends to holders of the Company Preferred Stock may not be sufficient to pay anticipated dividends, nor can we assure you of our ability to make dividends in the future, and we may need to borrow to make such dividends or may not be able to make such dividends at all.

To remain competitive with alternative investments, the Company's dividend rate may exceed our cash available for dividends, including cash generated from operations. In the event this happens, we intend to fund the difference out of any excess cash on hand or, if permitted, from borrowings under our revolving credit facilities. If we don't have sufficient cash available for dividends generated by its assets, or if cash available for dividends decreases in future periods, the market price of the Company Preferred Stock could decrease.

The protective amendment contained in our Restated Certificate of Incorporation, which is intended to help preserve the value of certain income tax assets, primarily tax net operating loss carryforwards ("NOLs"), may have unintended negative effects.

Pursuant to Internal Revenue Code Sections 382 and 383, use of our NOLs may be limited by an "ownership change" as defined under Section 382 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. In order to protect the Company's significant NOLs, we filed an amendment to the Restated Certificate of Incorporation of the Company (as amended and extended, the "Protective Amendment") with the Delaware Secretary of State on May 5, 2015. The Protective Amendment was approved by the Company's stockholders at the Company's 2015 Annual Meeting of Stockholders held on May 1, 2015.

On April 27, 2018, we filed a Certificate of Amendment to the Company's Restated Certificate of Incorporation with the Secretary of State of the State of Delaware, which was approved by our stockholders at our 2018 Annual Meeting (the "Extended Protective Amendment"). The Extended Protective Amendment effects a three-year extension to the provisions of the Protective Amendment. The Extended Protective Amendment leaves the Protective Amendment unchanged in all respects, other than to extend the expiration date from May 1, 2018 to May 1, 2021, and to make revisions necessary as a result of the enactment of Public Law 115-97 (commonly referred to as the Tax Cut and Jobs Act) on December 22, 2017.

The Protective Amendment is designed to assist the Company in protecting the long-term value of its accumulated NOLs by limiting certain transfers of the Company's common stock. The Protective Amendment's transfer restrictions generally restrict any direct or indirect transfers of the common stock if the effect would be to increase the direct or indirect ownership of the common stock by any person from less than 4.99% to 4.99% or more of the common stock, or increase the percentage of the common stock owned directly or indirectly by a person owning or deemed to own 4.99% or more of the common stock. Any direct or indirect transfer attempted in violation of the Protective Amendment will be void as of the date of the prohibited transfer as to the purported transferee.

The Protective Amendment also requires any person attempting to become a holder of 4.99% or more of our common stock to seek the approval of our Board. This may have an unintended "anti-takeover" effect because our Board may be able to prevent any future takeover. Similarly, any limits on the amount of stock that a shareholder may own could have the effect of making it more difficult for shareholders to replace current management. Additionally, because the Protective Amendment may have the effect of restricting a shareholder's ability to dispose of or acquire our common stock, the liquidity and market value of our common stock might suffer.

Anti-takeover provisions in our organizational documents and Delaware law may prevent or delay removal of current management or a change in control.

Our restated certificate of incorporation and amended and restated bylaws contain provisions that may delay or prevent a change in control, discourage bids at a premium over the market price of our common stock, and adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock. In addition, as a Delaware corporation, we are subject to Delaware law, including Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that the stockholder became an interested stockholder unless certain specific requirements are met as set forth in Section 203. These provisions, alone or together, could have the effect of deterring or delaying changes in incumbent management, proxy contests, or changes in control.

Risks Related to Our Material Weakness and Restatements

Material weakness in our internal control over financial reporting could have a significant adverse effect on our business and the price of our common stock.

As a public reporting company, we are subject to the rules and regulations established from time to time by the SEC. These rules and regulations require, among other things, that we have, and periodically evaluate, disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules, regulations and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow decisions regarding required disclosure. Reporting obligations as a public company are likely to continue to burden our financial and management systems, processes and controls, as well as our personnel.

In addition, as a public company, we are required to document and test our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act so that our management can certify as to the effectiveness of our internal control over financial reporting.

In connection with the preparation of our financial statements for 2020, we have identified material weakness in our internal controls over financial reporting relating to ineffectively designed controls over review of contracts for new debt agreements and proper application of GAAP for such agreements. Further, we identified and corrected certain errors as described in Note 2 to the accompanying financial statements, included in Part II, Item 8 of this Form 10-K. We deemed these corrections to be material to the consolidated financial statements for quarterly and annual periods after and including March 31, 2019 and any earnings releases or other communications relating to these periods. As a result, management concluded that our internal controls over financial reporting as of December 31, 2020 were not effective. As described in Part II, Item 9A of this Form 10-K, management is taking steps to remediate the material weakness in our internal controls. There can be no assurance that any measures we take will remediate the material weakness identified, nor can there be any assurance as to how quickly we will be able to remediate the material weakness.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Effective January 1, 2021, we moved our principal executive offices from Suwanee, Georgia to Old Greenwich, Connecticut, where we have been leasing 1,344 square feet of office space since 2019. We lease a 21,300 square foot facility in Poway, California that houses our Diagnostic Imaging operations. Our Diagnostic Services segment leases approximately 28 small hub locations in the various states in which we operate, which primarily house our fleet of cameras and vans. In November 2019, we entered into a lease for 3,065 square feet of office space in Fargo, North Dakota. In April 2019, our Star Real Estate and Investments business acquired three manufacturing facilities in Maine, which it then leased to KBS, who has in turn sublet one of the facilities to a commercial tenant.

We believe that we have adequate space for our anticipated needs and that suitable additional space will be available at commercially reasonable prices as needed.

ITEM 3. LEGAL PROCEEDINGS

See Note 11. *Commitments and Contingencies*, within the notes to our accompanying consolidated financial statements for a summary of legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information

Our common stock and preferred stock are traded on the NASDAQ Global Market under the symbols "STRR" and "STRRP", respectively.

As of February 22, 2021, there were approximately 170 holders of record of our common stock. We believe that the number of beneficial owners is substantially greater than the number of record holders because a large portion of our common stock is held of record through brokerage firms in "street name."

Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased During the Period	Average Price Paid Per Share for Period Presented	Total Cumulative Number of Shares Purchased as Part of Publicly Announced Plan (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plan (2)
October 1, 2020 – October 31, 2020	—	—	—	200,000
November 1, 2020 – November 30, 2020	—	—	—	200,000
December 1, 2020 – December 31, 2020	—	—	—	200,000
Total	—	—	—	200,000

(1) On October 31, 2018, our board of directors approved a stock repurchase program that will enable us to repurchase up to 200,000 shares of our common stock from time to time in market or private transactions (the "2018 Buyback Program"). Under the 2018 Buyback Program, we may purchase shares of our common stock through various means, including open market transactions in compliance with Rule 10b-18 under the Exchange Act, privately negotiated transactions, tender offers or any combination thereof. The number of shares repurchased and the timing of repurchases will depend on a number of factors, including, but not limited to, stock price, trading volume and general market conditions, along with our working capital requirements, general business conditions and other factors. The stock repurchase program has no time limit and may be modified, suspended or terminated at any time by our board of directors. Repurchases under the stock repurchase program will be funded from our existing cash and cash equivalents or future cash flow and equity or debt financings.

(2) As of December 31, 2020, there were 0 cumulative shares purchased as part of the 2018 Buyback Program and 200,000 shares that may yet be purchased under the 2018 Buyback Program.

Securities Authorized for Issuance Under Equity Compensation Plans

See Item 12. "*Security Ownership of Certain Beneficial Owners and Management Related Stockholders Matters*" for information with respect to our compensation plans under which equity securities are authorized for issuance.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth previously under the caption "Risk Factors." This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our audited consolidated financial statements and related notes included elsewhere in this report.

Executive Overview

The year 2020 marked the first full year that Star Equity, known prior to January 1, 2021 as Digirad Corporation, operated as a multi-industry holding company. With the acquisition of ATRM Holdings in September 2019, we added building and construction businesses to what had historically been a healthcare company and thereby transformed the Company into a diversified holding company with operating businesses in two important industry sectors of the economy, healthcare and building & construction.

Our healthcare business, which is operated as Digirad Health, provides products and services in the area of nuclear imaging with a focus on cardiac health. Digirad Health operates across the U.S. The 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 Building & Construction business is a single reporting segment and operates as KBS, EdgeBuilder and Glenbrook. KBS is based in Maine and provides modular buildings throughout the New England market. EdgeBuilder and Glenbrook, referred to together as EBGL internally and based in the Minneapolis-Saint Paul area, together provide structural wall panels and other engineered wood-based products, as well as building materials to customers in the Upper Midwest.

Currently, our real estate and investments segment is an internally-focused division, referred to internally as SRE, that is directly managed by Star Equity holding company management. The entity directly owns our three manufacturing facilities in Maine, which are leased to KBS.

Current Market Conditions

The year 2020 proved to be a challenging year for the vast majority of businesses across many sectors of the economy. While the second half of the year offered hope that we will gradually make our way back to pre-COVID levels of business activity, we are still in the initial phases of the vaccine rollout. This presents continued uncertainty, which we believe will decrease as we move through 2021. On the healthcare side, we expect to see imaging volume recover as the pandemic is brought under control. In building & construction, we expect that continued recovery in employment and a strong housing market will underpin the growth we are seeing.

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. During the year ended December 31, 2020, through Diagnostic Services, we provided imaging services to 584 physicians, physician groups, hospitals, IDNs and federal institutions. 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. While we provide critical and important imaging services focused in the cardiac area, the risks of exposure led to reduced patient volumes as these tests were deferred or canceled in hopes that the pandemic would abate.

The target market for our building and construction division includes residential home builders, general contractors, owners/developers of commercial buildings, and individual retail customers. While we witnessed a number of municipalities, especially in the Boston area, shutdown construction sites during the early wave of infections and even shutdown our own plant in South Paris, Maine for six weeks in April and May of 2020, housing demand and demand for building materials have increased as the COVID-19 pandemic has led to "nesting" at home, which have been positive factors in the second half of 2020. The challenge has been less on the demand side and more on the supply chain, as wood-based commodities prices, lumber and OSB, have increased rapidly coming out of the first wave of the pandemic in the Spring of 2020 and supply has not kept up with demand. We have seen some supply chain disruption and tightness during the second half of 2020 and that has continued into 2021 as lead times have extended out, but we are still able to operate at normal levels of production. We believe that the high price environment that we are currently experiencing will lead to additional supply coming on line going forward.

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.

In the area of reimbursements, our market has been negatively affected in the past by lower reimbursements from the Center for Medicare and Medicaid Services ("CMS") and third-party insurance providers for the codes under which our customers bill for our services, although reimbursements have stabilized in the last several years. 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 Star Building & Construction division, we continue to see a greater adoption of offsite or prefab 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

On March 11, 2020, the World Health Organization declared the outbreak of a novel strain of coronavirus, COVID-19, a global pandemic, which continues to spread throughout the United States and around the world. Governmental authorities in the states in which we operate issued social distancing orders, which orders have required businesses in subject jurisdictions to cease non-essential operations at physical locations in those locations, unless exempted, rescinded, or amended. Accordingly, to comply with applicable regulations and to safeguard the health and safety of our employees and customers, we have temporarily modified our business operations.

During the twelve months ended December 31, 2020, we experienced an $12.4 million decrease in the Digirad Health revenue compared to 2019 related to a decrease in our diagnostic services due to the COVID-19 pandemic. The decrease was offset by a $17.6 million increase respectively, in Building and Construction revenue, as compared to the same period of the prior year. As the COVID-19 pandemic affected the results of segments of our business during the twelve months ended December 31, 2020, we took steps to contain the impact of the COVID-19 pandemic on our business.

On April 1, 2020, we announced that in response to the COVID-19 pandemic, Matthew G. Molchan, our then President and Chief Executive Officer, David J. Noble, our Chief Financial Officer and Chief Operating Officer, and Martin B. Shirley, the president of our Diagnostic Imaging Solutions Inc. subsidiary, had each agreed to have their base salaries reduced by 20%. These reductions were effective as of April 6, 2020, and remained in effect until May 15, 2020.

On April 1, 2020, we also announced that in response to the COVID-19 pandemic, we planned to furlough certain employees and that we would institute a 20% salary reduction for most of our salaried employees and reduce the number of working hours of most of our hourly employees by 20%. These reductions, which applied to our Digirad Health division, were effective as of April 6, 2020, and remained in effect until May 15, 2020. Throughout the COVID-19 pandemic, our building and construction division has furloughed employees or reduced employee hours based on fluctuations in demand for our products. In September, 2020, KBS brought back furloughed employees and increased its work force by over 20% to meet the higher manufacturing requirements for two commercial projects as well as the future growth we expect.

This partial disruption, although expected to be temporary, may impact our operations and overall business. The impact of COVID-19 is evolving rapidly and its future effects are uncertain. Given the uncertainty caused by the COVID-19 pandemic, the duration of the disruption and related financial impact cannot be reasonably estimated at this time. As a result of the evolving impact of COVID-19 on the economy, on April 7, 2020, we withdrew our 2020 full-year guidance. At Star Equity, our highest priority remains the safety, health and well-being of our employees, their families and our communities and we remain committed to serving the needs of our customers. The COVID-19 pandemic is a highly fluid situation and it is not currently possible for us to reasonably estimate the impact it may have on our financial and operating results. We will continue to evaluate the impact of the COVID-19 pandemic on our business as we learn more and the impact of COVID-19 on our industry becomes clearer.

Discontinued Operations

On October 30, 2020, we entered into the DMS Purchase Agreement for the DMS Sale Transaction. The purchase price for the DMS Sale Transaction is $18.75 million in cash, subject to certain adjustments, including a working capital adjustment. We deem the contemplated disposition of the Mobile Healthcare business unit to represent a strategic shift that will have a major effect on our operations and financial results. As of December 31, 2020, in accordance with the provisions of FASB authoritative guidance, 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.

Prior to December 31, 2020 we operated in five reportable segments, which included three in our healthcare business, known as Digirad Health. These included Diagnostic Services, Diagnostic Imaging, and Mobile Healthcare. We now have two reportable segments in continuing operations for the healthcare business going forward, Diagnostic Service and Diagnostic Imaging. For additional details related to the Company's reportable segments, see Item I. *Business – Business Segments* and Note 17. *Segments* within the notes to our accompanying consolidated financial statements.

Our building & construction segment, called Star Building & Construction, arose upon completion of the ATRM Merger in September of 2019, and 2020 is the first full-year that its operations will be reflected in our financials.

2020 Financial Highlights

As noted above, during the twelve months ended December 31, 2020, we reclassified our Mobile Healthcare segment to assets held for sale and discontinued operations. When held for sale criteria have been met, revenue, expenses, depreciation and amortization of those assets is suspended and the profits and losses are presented on the Consolidated Statements of Operations as discontinued operations. The operating results presented below are segregated between continuing operations and discontinued operations. Results from prior year comparative period have been reclassified to conform with the current year presentation. In addition, we would note that 2020 was the first full year in which we owned the Building & Construction businesses as they were acquired in September 2019 and financials in the prior year were only inclusive of that stub period in 2019.

Revenues for continuing operations were $78.2 million for the year ended December 31, 2020. This is an increase of $5.2 million, or 7.2%, compared to the prior year due to the following:

- The increase was mainly due to $17.6 million revenue generated by the Building and Construction segment and offset by the following reasons.
- Diagnostic Imaging segment revenue decreased $3.9 million, or 28.2%, primarily due to decrease in the number of cameras sold, reflecting COVID-19 impact.
- Diagnostic Services segment revenue decreased $8.5 million, or 17.7%, primarily due to decrease in scanning service performed, reflecting COVID-19 impact.

Gross profit from continuing operations decreased by $3.2 million, or 18.5%, compared to the prior year, mainly due to a $5.2 million decrease in the Diagnostic Imaging and Diagnostic Services segments caused by the COVID-19 pandemic. This was partially offset by a $2.0 million increase in Building and Construction gross profit, as we owned this business for the entire year in 2020. Additionally, we experienced lower health insurance expenses year over year, which was partially offset by higher lease expenses from an increase in sublease revenue and operating leases.

Total operating expenses increased $2.1 million, or 11.1%, for the year ended December 31, 2020 compared to the prior year, primarily due to additional $3.0 million sales, marketing and general and administrative expenses, $1.3 million of amortization expenses and a $0.4 million goodwill impairment from the building and construction segment, which were mainly offset by a $2.3 million savings in merger and acquisition expenses.

Net loss for continuing operations for the year ended December 31, 2020 was $5.3 million, which is an increase of $2.5 million compared to our net loss of $2.7 million during the prior year. This was driven primarily by additional net loss of $2.7 million in the Star Building & Construction division during the year ended December 31, 2020, despite a $0.2 million increase in net income from the Digirad Health division. As a result of the recent acquisition of the Building & Construction businesses, we are experiencing a considerable increase in the amortization of intangibles in our income statement.

For the year ended December 31, 2020, Diagnostic Services operated 90 nuclear gamma cameras and 46 ultrasound imaging systems. We measure efficiency by tracking system utilization, which is based on the percentage of days that our cameras, equipment and imaging systems are used to deliver services to customers out of the total number of days that they are available to deliver such services. System utilization for Diagnostic Services for the year ended December 31, 2020, was 59% compared to 60% of the prior year.

Use of EBITDA (Non-GAAP measure)

Management believes EBITDA is a meaningful indicator of the Company's performance that provides useful information to investors regarding the Company's financial condition and results of operations. EBITDA is also considered by management as an indicator of operating performance and the most comparable measure across the regions in which we operate. Management also uses this measurement to evaluate capital needs and working capital requirements. Similar to constant currency, EBITDA is a non-GAAP financial measure that is not intended to be considered in isolation from, as substitute for, or as superior to, the corresponding financial measure prepared in accordance with GAAP or as a measure of the Company's profitability. Because of these and other limitations, EBITDA should be considered along with GAAP based financial performance measures, including operating income or net income prepared in accordance with GAAP. EBITDA is derived from net (loss) income adjusted for the provision for (benefit from) income taxes, interest expense (income), and depreciation and amortization.

The reconciliation of EBITDA from continuing operations to the most directly comparable GAAP financial measure is provided in the table below:

	Year Ended December 31,	
$ in thousands	**2020**	**2019**
Net loss	$ (6,457)	$ (4,627)
Adjustment for loss from discontinued operations, net of income taxes	(1,172)	(1,887)
Loss from continuing operations	(5,285)	(2,740)
Adjustments to loss from continuing operations		
Depreciation and amortization	3,936	2,431
Interest expense, net	1,292	746
Provision (benefit from) for income taxes	129	(199)
Total adjustments from loss from continuing operations to EBITDA	5,357	2,978
EBITDA from continuing operations	$ 72	$ 238

Results of Operations

Comparison of Years Ended December 31, 2020 and 2019

The following table sets forth our results from operations for the years ended December 31, 2020 and 2019 (in thousands):

	Year ended December 31,				Change from Prior Year	
	2020	% of Revenues	2019	% of Revenues	Dollars	Percent
Total revenues	$ 78,163	100.0 %	$ 72,934	100.0 %	$ 5,229	7.2 %
Total cost of revenues	64,176	82.1 %	55,774	76.5 %	8,402	15.1 %
Gross profit	13,987	17.9 %	17,160	23.5 %	(3,173)	(18.5)%
Operating expenses:						
Selling, general and administrative	18,635	23.8 %	15,898	21.8 %	2,737	17.2 %
Amortization of intangible assets	2,124	2.7 %	829	1.1 %	1,295	156.2 %
Merger and finance costs	—	— %	2,342	3.2 %	(2,342)	N/M
Goodwill impairment	436	0.6 %	—	— %	436	— %
Total operating expenses	21,195	27.1 %	19,069	26.1 %	2,126	11.1 %
Loss from operations	(7,208)	(9.2)%	(1,909)	(2.6)%	(5,299)	277.6 %
Other income (expense), net	3,344	4.3 %	(133)	(0.2)%	3,477	(2,614.3)%
Interest expense, net	(1,292)	(1.7)%	(746)	(1.0)%	(546)	73.2 %
Loss on extinguishment of debt	—	— %	(151)	(0.2)%	151	N/M
Total other income (expense)	2,052	2.6 %	(1,030)	(1.4)%	3,082	(299.2)%
Loss from continuing operations before income taxes	(5,156)	(6.6)%	(2,939)	(4.0)%	(2,217)	75.4 %
Income tax (provision) benefit	(129)	(0.2)%	199	0.3 %	(328)	(164.8)%
Loss from continuing operations, net of income taxes	(5,285)	(6.8)%	(2,740)	(3.8)%	(2,545)	92.9 %
Loss from discontinued operations, net of income taxes	(1,172)	(1.5)%	(1,887)	(2.6)%	715	(37.9)%
Net loss	$ (6,457)	(8.3)%	$ (4,627)	(6.4)%	$ (1,830)	39.6 %

N/M Not meaningful

Mobile Healthcare segment revenue, gross profit, operating expenses, and income tax are included in loss from discontinued operations. See Note 4. *Discontinued Operations.*

Revenues

Healthcare

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

	Year Ended December 31,			
	2020	2019	$ Change	% Change
Diagnostic Services	$ 39,267	$ 47,723	$ (8,456)	(17.7)%
Diagnostic Imaging	9,965	13,872	(3,907)	(28.2)%
Total Healthcare Revenue	$ 49,232	$ 61,595	$ (12,363)	(20.1)%

The decrease in Diagnostic Services and Diagnostic Imaging revenue was primarily due to the COVID-19 pandemic impact. Although many medical offices and facilities temporarily closed in mid-March, most are now open and many hospitals that stopped performing non-emergency procedures, tests, and scans slowly started to re-open and serve patients during the quarter, although at lower than pre-COVID-19 schedule.

Building and Construction

Building and construction revenue is summarized as follows (in thousands):

	Year Ended December 31,			
	2020	2019	$ Change	% Change
Building and Construction	$ 28,879	$ 11,257	$ 17,622	156.5 %
Total Building and Construction Revenue	$ 28,879	$ 11,257	$ 17,622	156.5 %

The increase in building and construction revenue was due to our ownership of the business for a full year, compared to one quarter and 20 days prior year same period. Moreover, we experienced an increase in KBS activity levels and recognized $4.3 million of revenue on two large commercial projects, as we re-entered the commercial market in 2020.

Real Estate and Investments

Real estate and investments revenue is summarized as follows (in thousands):

	Year Ended December 31,			
	2020	2019	$ Change	% Change
Real Estate and Investments	$ 52	$ 82	$ (30)	(36.6)%
Total Real Estate and Investments	$ 52	$ 82	$ (30)	(36.6)%

The decrease in real estate and investments revenue was due to the wind down of investment vehicles from LSVM. Intercompany lease revenue from KBS for the three factories we own was eliminated through consolidation in the consolidated financial statements.

Gross Profit

Healthcare

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

	Year Ended December 31,		
	2020	2019	% Change
Diagnostic Services gross profit	$ 6,758	$ 10,237	(34.0)%
Diagnostic Services gross margin	17.2 %	21.5 %	
Diagnostic Imaging gross profit	3,391	5,136	(34.0)%
Diagnostic Imaging gross margin	34.0 %	37.0 %	
Total healthcare gross profit	$ 10,149	$ 15,373	(34.0)%
Total healthcare gross margin	20.6 %	25.0 %	

The decrease in Diagnostic Services and Diagnostic Imaging gross profit is mainly due to the COVID-19 pandemic impact and the associated public health measures in place, which directly reduced scanning revenue and camera sales. While management proactively applied measures to contain costs during the pandemic, there were fixed costs which resulted in the decrease in gross margin.

Star Building & Construction

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

	Year Ended December 31,		
	2020	2019	% Change
Building and Construction gross profit	$ 4,047	$ 2,013	101.0 %
Building and Construction gross margin	14.0 %	17.9 %	

The increase in building and construction gross profit is mainly due to the fact that 2020 includes a full year of operational data from this segment as compared to a portion of the year in 2019 and increased revenue from KBS' two large commercial projects. Gross profit of our Star Building & Construction business for Q4 2020 decreased by 12.8%, from prior year same period, due to the negative effect of higher raw material prices.

Star Real Estate & Investments

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

	Year Ended December 31,		
	2020	2019	% Change
Real Estate and Investments gross profit	$ (209)	$ (226)	(7.5)%
Real Estate and Investments gross margin	(401.9)%	(275.6)%	

Star Real Estate & Investments manages three manufacturing facilities which it leases to KBS and investment vehicles through LSVM. Its negative gross profit relates to depreciation expense and the write-off of some of the assets included with the three manufacturing facilities acquired in April 2019.

Operating Expenses

Operating expense are summarized as follows (in thousands):

	Year Ended December 31,				Percent of Revenues	
	2020	2019	$ Change	% Change	2020	2019
Selling, general and administrative	$ 18,635	$ 15,898	$ 2,737	17.2 %	23.8 %	21.8 %
Amortization of intangible assets	2,124	829	1,295	156.2 %	2.7 %	1.1 %
Merger and financing costs	—	2,342	(2,342)	— %	— %	3.2 %
Goodwill impairment	436	—	436	— %	0.6 %	— %
Total operating expenses	$ 21,195	$ 19,069	$ 2,126	11.1 %	27.1 %	26.1 %

Total operating expenses increased $2.1 million, or 11.1%, for the year ended December 31, 2020 compared to the prior year. The increase was due in part to the additional $3.0 million sales, marketing and general and administrative expenses from the building and construction segment. We also recognized an additional $1.3 million in amortization of intangibles and a $0.4 million write-down of goodwill. Much of the total increase in operating expenses was offset by $2.3 million worth of savings in merger and acquisition expenses. We also experienced a $0.3 million savings in sales and general and administrative expenses in the healthcare segments.

The $1.3 million increase in amortization of intangible assets was primarily due to $19.5 million of additional intangible assets related to the ATRM Acquisition on September 10, 2019.

Goodwill non-cash impairment charges increased by $0.4 million compared to the prior year, primarily as a result of an impairment recorded during the fourth quarter of 2020 in our EBGL reporting unit. See Note 9. *Goodwill,* within the notes to our accompanying consolidated financial statements for further information.

Other Income (Expense)

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

	Year Ended December 31,	
	2020	2019
Other income (expense), net	$ 3,344	$ (133)
Interest expense, net	(1,292)	(746)
Loss on extinguishment of debt	—	(151)
Total other income (expense)	$ 2,052	$ (1,030)

Other income was generated from $2.5 million in partial forgiveness on PPP Loans taken during 2020 (see Note 10. *Debt* within the notes to our accompanying consolidated financial statements), the settlement of an aged Massachusetts sales and use tax payable at KBS and the settlement of legacy legal costs at ATRM, the immediate parent of our Building & Construction businesses, as well as unrealized gains from equity securities.

The increase in interest expense comes from additional acquired debt in the Building & Construction business, despite a significant reduction in interest rates on the substantial portion of our total debt which is based on a floating rate.

The loss on extinguishment of debt for the year ended December 31, 2019, is related to the write-off of unamortized deferred financing costs related to the termination of our prior revolving credit facility with Comerica on March 29, 2019. See Note 10. *Debt*, within the notes to our accompanying consolidated financial statements for further information regarding interest expense and loss on extinguishment of debt.

Income Tax (Expense) Benefit

Intraperiod allocation rules require us to allocate our provision for income taxes between continuing operations and other categories or comprehensive income (loss) such as discontinued operations. During the twelve months ended December 31, 2020, and 2019, a tax provision of $0.1 million and tax benefit of $0.2 million were recorded in continuing operations, respectively. For the year ended December 31, 2020, the Company recorded a tax expense of $22 thousand to discontinued operations. For the year ended December 31, 2019, the Company recorded a benefit of $0.1 million to discontinued operations. As described in Note 4. *Discontinued Operations*, the results of our Mobile Healthcare reportable segment have been reported as discontinued operations for the current and prior year.

See Note 14. *Income Taxes*, within the notes to our accompanying consolidated financial statements for further information.

Loss from Discontinued Operations

As described in Note 4. *Discontinued Operations*, within the notes to our accompanying consolidated financial statements, the results of our mobile healthcare reportable segment have been reported as discontinued operations for all periods presented.

Liquidity and Capital Resources

Overview

Cash Flows from Operating Activities

For the year ended December 31, 2020, net cash used in operating activities was $5.0 million, as compared to $0.4 million of net cash generated from operating activities in 2019, resulting in an increase in net cash used in operating activities of $5.5 million. The increase in net cash used in operating activities resulted primarily from working capital investments made in our Building & Construction businesses during 2020, principally into KBS, as well as a higher net loss caused by reduced revenues due to the COVID-19 impact on our businesses, particularly on our Digirad Health division.

Cash Flows from Investing Activities

For the year ended December 31, 2020, net cash used in investing activities was $1.3 million, as compared to $5.8 million of net cash used by investing activities in 2019. The $4.5 million decrease in net cash used in investing activities primarily reflects a return to normalized capital expenditure as we had paid $5.2 million in 2019 to acquire the three factories from KBS prior to purchasing the full Building & Construction business later that year when we closed the acquisition of ATRM.

Cash Flows from Financing Activities

For the year ended December 31, 2020, net cash generated from financing activities was $8.1 million, as compared to net cash generated from financing activities of $5.7 million in 2019, resulting in an increase in net cash generated from financing activities of $2.4 million. The increase was attributable to proceeds from the Paycheck Protection Program ("PPP") loan of $6.7 million in late April and early May and net proceeds from our common stock offering of $5.2 million in late May, partially offset by a $3.2 million net reduction in principal on existing debt.

Cash Flows

The following table shows cash flow information for the years ended December 31, 2020 and 2019 (in thousands):

	Year Ended December 31,	
	2020	2019
Net cash (used in) provided by operating activities	$ (4,953)	$ 400
Net cash used in investing activities	$ (1,332)	$ (5,818)
Net cash provided by financing activities	$ 8,060	$ 5,666

Sources of Liquidity

Our principal sources of liquidity are our existing cash and cash equivalents, cash generated from operations, and availability on our revolving lines of credit from our credit facility with Sterling National Bank, our three credit facilities with Gerber Finance, Inc and one credit facility with Premier. As of December 31, 2020, we had $3.2 million of cash and cash equivalents, as well as approximately $7.3 million in undrawn capacity on our $20.0 million Sterling National Bank revolving line of credit. The Gerber facilities directly support our Building & Construction businesses. As of December 31, 2020, we were fully drawn in terms of available capacity at $1.1 million on the KBS revolver and $2.0 million on the EBGL revolver. However, those facilities have loan limits of $4.0 million and $3.0 million, respectively, and we expect to be able to use more of that availability as our borrowing base increases with higher production levels.

Liquidity Outlook

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 of medical imaging and diagnostic devices utilized in the provision of our services, as well as vehicles and information technology hardware and software. In addition, we are putting in place capital expenditure programs in the Building & Construction business in order to improve operations and expand our production output. Generally, this business is not capital intensive, although we had to augment working capital significantly in 2020, especially at KBS, to support higher production levels.

The accompanying consolidated 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 continuing operations of approximately $7.2 million and $1.9 million for the twelve months ended December 31, 2020 and 2019, respectively. We have an accumulated deficit of $125.0 million and $118.5 million as of December 31, 2020 and 2019, respectively. Net cash used in operations of $5.0 million for the twelve months ended December 31, 2020 compared to net cash provided by operations of $0.4 million for the same prior year period in 2019. The Company will need to secure additional future financing to accomplish its business plan over the next several years and that there can be no assurance on the availability or terms upon which such financing and capital mat be available in the future.

Regarding our debt, GAAP rules require us to classify $18.4 million as short-term debt, as of December 31, 2020. However, $12.7 million of our debt allocation to short-term relates to the balance on our revolving line of credit with Sterling. This debt primarily supports our healthcare business and the SNB Loan Agreement 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 agreement. In practice, we have the ability to immediately borrow back these daily sweeps to fund our working capital.

An additional $3.1 million of revolver debt supporting our Building & Construction businesses is classified as short-term debt. This includes the $2.0 million and $1.1 million balances on our Gerber revolvers at EBGL and KBS, respectively. These credit facilities each have an automatic annual renewal features. The remaining $2.5 million of our short-term debt includes $1.9 million worth of a PPP loan, which is expected to be forgiven within 2021, as well as $0.6 million representing the current portion of a long-term term loan. Although we were in breach of certain debt covenants on the Building & Construction revolvers, Gerber delivered waivers and we are not in default on this or any other portions of our debt.

Further, the short-term classification of the SNB revolver is a technical GAAP presentation requirement given the traditional lockbox arrangement. The revolver directly supports our healthcare business, but may be drawn to fund non-healthcare operations as long as we maintain a $4 million cushion of excess availability following any non-healthcare distributions. As of December 31, 2020 we had $7.3 million in excess availability on the SNB revolver and were in compliance with all covenants related to this facility, as further discussed in Note 10. *Debt,* within the notes to our accompanying consolidated financial statements below.

Additional short-term related-party debt is held by Mr. Eberwein, our Executive Chairman, totaling approximately $2.3 million at December 31, 2020. Mr. Eberwein has committed to provide financial support to the Company by providing written assurances that he will (1) extend and not force repayment of this debt, which was due October 2020, until five business days after the closing date of the DMS Sale Transaction, the date when the Note is no longer subject to a certain subordinate letter agreement with Gerber, or to June 30, 2022.; and (2) extend through June 2021 the Company's put option with him with respect to $1.0 million in Company Preferred Stock. See Note 16. *Related Party Transactions*, within the notes to our accompanying consolidated financial statements, for information regarding the financial support provided by Mr. Eberwein. We expect to fully payoff this debt from proceeds generated upon the closing of the DMS sale.

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 Annual Report. Our ability to continue as a going concern is dependent on our ability to execute our plans.

Common Stock 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 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 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 Building & Construction businesses, particularly related to modular housing projects which we produced at KBS for the for 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.

Credit Facilities

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 are swept daily to reduce borrowings outstanding. As of December 31, 2020, the Company had $0.2 million of letters of credit outstanding and had additional borrowing capacity of $7.3 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 the end of 2020 was 2.64%.

The Company used a portion of the financing made available under the SNB Credit Facility to refinance and terminate, effective as of March 29, 2019, its previous credit facility with Comerica.

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 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 Borrowers achieving certain milestones set forth therein.

In connection with the SNB Credit Facility, in the year ended December 31, 2019, the Company recognized a $0.2 million loss on extinguishment due to the write off of unamortized deferred financing costs associated with our prior revolving credit facility with Comerica.

At December 31, 2020 and 2019, the Company was in compliance with all covenants.

On February 1, 2021, we entered into an amendment to the SNB Loan Agreement, which is described in more detail in Note 19. *Subsequent Events,* within the notes to our accompanying consolidated financial statements.

ATRM Loan Agreements

As of December 31, 2020, ATRM had outstanding revolving lines of credit of approximately $3.1 million. Our debt through ATRM primarily included (i) $1.1 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 Finance Inc. ("Gerber") and (ii) $2.0 million principal outstanding on EBGL's $3.0 million revolving credit facility under a Revolving Credit Loan Agreement, dated June 30, 2017 (as amended, the "Premier Loan Agreement") with Premier Bank ("Premier"), net of an immaterial amount of unamortized financing fees. As of December 31, 2020, ATRM was at the maximum borrowing capacity under both revolving lines of credit, based on the inventory and accounts receivable on that day which fluctuates weekly.

See Note 16. *Related Party Transactions*, for information regarding certain ATRM promissory notes that are outstanding.

KBS Loan Agreement

On February 23, 2016, ATRM, KBS and Main Modular Haulers, Inc. (a 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 December 31, 2020, 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 December 31, 2020, 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 all receipts are swept daily to reduce borrowings outstanding. At December 31, 2020, approximately $1.1 million was outstanding under the KBS Loan Agreement.

The parties to the KBS Loan Agreement have 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 December 31, 2020 and 2019, KBS was not in compliance with the financial covenants requiring no net annual post-tax loss for KBS or the minimum leverage ratio covenant as of 2020. 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. In April 2019, June 2019, February 2020 and February 2021, we obtained a waiver from Gerber for these events.

On September 10, 2019, the parties of the KBS Loan Agreement entered into a Consent and Acknowledgment Agreement and Twelfth Amendment to Loan Agreement (the "Twelfth Amendment"), by and among Gerber, KBS, ATRM and the Company, pursuant to which the Company agreed to guarantee amounts borrowed by certain ATRM's subsidiaries from Gerber. The Twelfth 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. The Twelfth Amendment also provides that upon payment in full of the EBGL Obligations (as defined therein), the amount of the Cash Collateral (as defined therein) will be reduced to $0.3 million. Additionally, ATRM had on deposit $0.2 million in a collateral account maintained with Gerber to secure the loans under the KBS Loan Agreement which was returned to ATRM in November 2019.

On January 31, 2020, the Company, ATRM, KBS and Gerber entered into a Thirteenth Amendment to Loan and Security Agreement (the "Thirteenth KBS Loan 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 Consent and as a Fourteenth Amendment to Loan and Security Agreement that amended the KBS Loan Agreement (the "Consent and Fourteenth Amendment"). Under the terms of the Consent and Fourteenth Amendment, the parties thereto (and the subordinated creditors that consented thereto) consented to the First EBGL Amendment and agreed that cash collateral would no longer be part of the borrowing base and that the borrowing base would no longer be based on cash availability for purposes of the KBS Loan Agreement.

On April 1, 2020, Gerber and KBS entered into a Fifteenth Amendment to Loan Agreement (the "Fifteenth 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).

On January 5, 2021, Gerber and KBS entered into a Sixteenth Amendment to Loan Agreement (the "Sixteenth Amendment"). The Sixteenth Amendment changed certain definitions under the KBS Loan Agreement to increase the inventory assets against which funds can be borrowed.

On February 26, 2021 Gerber and KBS entered into a Seventeenth Amendment to Loan Agreement (the Seventeenth Amendment"). The Seventeenth Amendment provided 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; (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.

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 under a loan and security agreement with Gerber (the "EBGL Loan Agreement"), which was terminated on the same date and all obligations of EBGL and ATRM in favor of Gerber in connection with the EBGL Loan Agreement were extinguished.

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 through January 31, 2023. The Premier Loan Agreement may be further extended from time to time at our request, subject to approval by Premier. 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, contemporaneously with the execution and delivery of the Star Loan Agreement and EBGL Loan Agreement described below, 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 (the "Premier Note") made by Glenbrook and EdgeBuilder pursuant to the Premier Loan Agreement. Pursuant to the Modification Agreement, the amount of indebtedness evidenced by the Premier Note was reduced to $1.0 million, and the Premier Note was modified to, among other things: (a) extend the Final Maturity Date (as defined in the Premier Note) of the Premier Note to January 31, 2023, and (b) set the interest that the Premier Note will bear at 5.75% per annum. As a condition to close and to then later extend the term of the Premier Loan Agreement, ATRM and Mr. Eberwein executed a guaranty in favor of Premier, which has, through the multiple extensions described above, been extended through January 1, 2023, under which ATRM and Mr. Eberwein have absolutely and unconditionally guaranteed all of EBGL's obligations under the Premier Loan Agreement. As of December 31, 2020, approximately $0.7 million was outstanding under the Premier Loan Agreement.

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 Loan and Security Agreement (the "First Star Amendment") with Gerber that amended the Star Loan Agreement 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 Loan and Security Agreement (the "Second Star Amendment") with Gerber that amended the Star Loan Agreement in order to change terms of repayment for the advance of $0.3 million to EBGL provided for under the First Star Amendment. Under the terms of the Second Star Amendment, the advance of $0.3 million to EBGL is to be repaid in three (3) consecutive equal monthly installments on the thirtieth (30th) day in each calendar month, commencing May 30, 2020, and in a final installment on or before July 31, 2020. As of September 30, 2020, EBGL repaid $0.3 million to Gerber. As of December 31, 2020, $1.6 million was outstanding under the Star Loan Agreement.

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 Loan and Security Agreement (the "First EBGL Amendment") with Gerber that amended the EBGL Loan Agreement and the KBS Loan Agreement in order to, among other things, 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 Loan and Security Agreement that amended the EBGL Loan Agreement in order to, among other things, 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) and removed Mr. Eberwein as an ancillary guarantor from the EBGL Loan Agreement. As of December 31, 2020 , $2.0 million was outstanding under the revolving credit facility.

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.

The Star Loan Agreement and EBGL Loan Agreement contains 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 December 31, 2020, EBGL was not in compliance with the financial covenants under the Star Loan Agreement and EBGL Loan Agreement as of 2020. 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 February 2021, we obtained a waiver from Gerber for these events and, as part of the Third EBGL Amendment (described above), 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, as well as discharge the EBGL Eberwein Guaranty.

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

On April 30, 2020, each of KBS, EdgeBuilder and Glenbrook executed a separate promissory note evidencing unsecured loans under the "Paycheck Protection Program" (the "PPP"). The promissory note executed by KBS is for $0.8 million (the "KBS Note"), the promissory note executed by EdgeBuilder is for $0.2 million (the "EdgeBuilder Note") and the promissory note executed by Glenbrook is for $0.2 million (the "Glenbrook Note"). The KBS Note, the EdgeBuilder Note and the Glenbrook Note, each dated April 30, 2020, are referred to together as the "Construction Notes".

On May 11, 2020, the Company and each of Digirad Imaging Solutions, Inc. ("DIS"), DMS Imaging, Inc. ("DMS Imaging") and DMS Health Technologies, Inc. ("DMS Health"), each a direct or indirect wholly owned subsidiary of the Company, executed a separate promissory note evidencing unsecured loans under the PPP. The promissory note executed by the Company, dated May 7, 2020, is for $0.8 million (the "Company Note"); the promissory note executed by DIS, dated May 5, 2020, is for $3.0 million (the "DIS Note"); the promissory note executed by DMS Imaging, dated May 5, 2020, is for $1.6 million (the "DMS Imaging Note") and the promissory note executed by DMS Health, dated May 7, 2020, is for $0.1 million (the "DMS Health Note"). The Company Note, the DIS Note, the DMS Imaging Note, and the DMS Health Note are referred to together as the "Healthcare Notes". The Construction Notes and the Healthcare Notes are referred to collectively as the "PPP Notes" and each promissory note individually as a "PPP Note". As of December 31, 2020, the $1.6 million DMS Imaging Note, the $0.1 million DMS Health Note, and the $0.8 million Company Note were forgiven. In first quarter 2021, $0.4 million of the Glenbrook Note and EdgeBuilder Note, and $0.8 million of the KBS Note were forgiven; therefore, the DIS Loan is the only PPP Note that remains outstanding.

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"). The loans evidenced by the Construction Notes are being made through Bremer Bank ("Bremer") as lender, and the loans evidenced by the Healthcare Notes are being made through Sterling as lender.

The loans evidenced by the PPP Notes (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. Beginning eleven months from the date of a PPP Note, unless fully forgiven prior thereto, the applicable borrower will pay to its lender thereunder a monthly principal and interest payments. The PPP Loans may be prepaid at any time prior to maturity with no prepayment penalties. The Construction Notes mature on April 30, 2022, and the Healthcare Notes mature two years from the date the loans under the Healthcare Notes are disbursed. Loans under the Company Note and the DIS Note were disbursed on May 12, 2020, and the loans under the DMS Health Note and DMS Imaging Note were disbursed on May 13, 2020.

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 will be determined, subject to limitations, based on the use of loan proceeds for payment of payroll costs and certain other eligible costs. However, no assurance is provided that forgiveness for any portion of the PPP Loans will be obtained and even if forgiveness is granted the PPP Loans may remain subject to review and audit due to all affiliated PPP Notes equaling more than $2 million.

In order to apply for the PPP Loans, we were required to certify, among other things, that the current economic uncertainty made the PPP Loans request necessary to support ongoing operations of the Company. This certification further required the Company to take into account its current business activity and its ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The Company is continuing to evaluate the criteria and new guidance put out by the SBA regarding loan forgiveness and the procedures to seek loan forgiveness. As of December 31, 2020, $2.5 million of the Company Note, DMS Imaging Note and DMS Health Note were forgiven and in first Quarter 2021, an additional $1.2 million of the KBS Note, Glenbrook Note, and EdgeBuilder Note were forgiven. The Company has sought full loan forgiveness from the SBA for the DIS Note based on the satisfaction of applicable criteria and guidelines and is currently undergoing the mandated audit for all PPP loans over $2 million. PPP Loan forgiveness is sought under the belief that all entities requesting loan forgiveness have met the stated criteria and guidelines provided by the SBA and terms of the CARES Act; however, no assurance can be provided that forgiveness of the rest of PPP Loans will be obtained.

Off-Balance Sheet Arrangements

On September 10, 2019, the parties to the KBS Loan Agreement entered a Consent and Acknowledgment Agreement and Twelfth Amendment to Loan Agreement, by and among Gerber, KBS, ATRM and the Company, pursuant to which the Company agreed to guarantee amounts borrowed by certain of ATRM's subsidiaries from Gerber. The Twelfth 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 a Thirteenth Amendment to Loan and Security Agreement (the "Thirteenth KBS Loan Amendment") to amend the KBS Loan Agreement, by and among the Company, ATRM, KBS and Gerber, 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 Loan Agreements and the Subordination Agreements to which they are a party and (b) add a new cross default provision.

See Note 10. *Debt*, within the notes to our consolidated financial statements for further detail.

Critical Accounting Policies

Management's discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which are prepared in accordance with United States generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, related disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. We evaluate our estimates and judgments, the most critical of which are those related to business combination, revenue recognition, goodwill valuation, and income taxes. Furthermore, the impact on accounting estimates and judgements on the Company's financial condition and results of operations due to COVID-19 has introduced additional uncertainties. We base our estimates and judgments on historical experience and other factors that we believe to be reasonable under the circumstances. Materially different results can occur as circumstances change and additional information becomes known.

During the twelve months ended December 31, 2020, we reclassified our Mobile Healthcare segment to assets held for sale. Assets and liabilities are classified as held for sale when all of the following criteria for a plan of sale have been met: (1) management, having the authority to approve the action, commits to a plan to sell the assets; (2) the assets are available for immediate sale, in their present condition, subject only to terms that are usual and customary for sale of such assets; (3) an active program to locate a buyer and other actions required to complete the plan to sell the assets have been initiated; (4) the sale of the assets is probable and is expected to completed within one year; (5) the assets are being actively marketed for a price that is reasonable in relation to their current fair value; and (6) actions required to complete he plan indicate that it is unlikely that significant changes to the plan will be made or the plan will be withdrawn. When all of these criteria have been met, the assets (and liabilities) are classified as held for sale in the balance sheet for the current and comparative reporting periods. Assets classified as held for sale are reported at the lower of their carrying value or fair value less costs to sell. Depreciation and amortization of assets ceases upon designation as held for sale. The assets and liabilities held for sale are recorded on our Consolidated Balance Sheets as Assets held for sale and Liabilities held for sale, respectively. The profits and losses are presented on the Consolidated Statements of Operations as discontinued operations for the current and prior periods.

Business Combination

Under the acquisition method of accounting, we allocate the fair value of the total consideration transferred to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values on the date of acquisition. The fair values assigned, defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants, are based on estimates and assumptions determined by management. We record the excess consideration over the aggregate fair value of tangible and intangible assets, net of liabilities assumed, as goodwill. These valuations require us to make significant estimates and assumptions, especially with respect to intangible assets.

In connection with certain of our acquisitions, additional contingent consideration is earned by the sellers upon completion of certain future performance milestones. In these cases, a liability is recorded on the acquisition date for an estimate of the acquisition date fair value of the contingent consideration by applying the income approach utilizing variable inputs such as anticipated future cash flows, risk-free adjusted discount rates, and nonperformance risk. Any change in the fair value of the contingent consideration subsequent to the acquisition date is recognized as general and administrative expense (income), in our consolidated statements of operations and comprehensive income. This method requires significant management judgment, including the probability of achieving certain future milestones and discount rates. Future changes in our estimates could result in expenses or gains.

Management typically uses the discounted cash flow method to value our acquired intangible assets. This method requires significant management judgment to forecast future operating results and establish residual growth rates and discount factors. The estimates we use to value and amortize intangible assets are consistent with the plans and estimates that we use to manage our business and are based on available historical information and industry estimates and averages. If the subsequent actual results and updated projections of the underlying business activity change compared with the assumptions and projections used to develop these values, we could experience impairment charges. In addition, we have estimated the economic lives of certain acquired assets and these lives are used to calculate depreciation and amortization expense. If our estimates of the economic lives change, depreciation or amortization expenses could be accelerated or slowed.

See "Trends and Drivers—*Acquisition of ATRM Holdings, Inc*." above for a description of the ATRM Acquisition.

Revenue Recognition

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 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, including a reasonable profit margin. Determining if an enforceable right to payment includes a reasonable profit margin requires judgment and 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.

Goodwill valuation

We review goodwill for impairment on an annual basis during the fourth quarter, as well as when events or changes in circumstances indicate that the carrying value may not be recoverable. We begin the process by assessing qualitative factors in determining whether it is more likely than not that the fair value of reporting unit is less than its carrying amount. After performing the aforementioned assessment and upon review of the results of such assessment, we may begin performing impairment analysis by quantitatively comparing the fair value of the reporting unit to the carrying value of the reporting unit, including goodwill. Impairment charge for goodwill is recognized for the amount by which the carrying value of the reporting unit exceeds its fair value and such loss should not exceed the total goodwill allocated to the reporting unit.

The Company recorded goodwill of $8.2 million associated with the acquisition of ATRM during the year ended December 31, 2019. The Company recorded a goodwill impairment of $0.4 million for EBGL during the year ended December 31, 2020. See Note 9. *Goodwill*, for further information.

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.

The authoritative guidance for income taxes defines a recognition threshold and measurement attributes for financial statement recognition and measurement of a tax provision taken or expected to be taken in a tax return. The guidance also provides direction on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Under the guidance, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. We recognize interest and penalties related to uncertain tax positions as a component of the income tax provision.

New Accounting Pronouncements

See Note 3. *Basis of Presentation and Significant Accounting Policies,* within the notes to our accompanying consolidated financial statements for discussion of our discussion of new accounting pronouncements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Debt obligations under four of our Company Loan Agreements are subject to variable rates of interest based on LIBOR, the administrative agent's prime rate or the U.S. federal funds rate. A 100 basis point increase in the underlying interest rate would result in an additional annual interest expense of approximately $0.2 million, assuming related debt of $15.8 million, which is the amount of outstanding borrowings at December 31, 2020.

The Company's approach to interest rate risk is to balance borrowings between fixed rate and variable rate debt as management deems appropriate. At December 31, 2020, the Company's borrowings under the Credit Agreements are all at variable rates, except for ATRM Notes Payable and Paycheck Protection Program Loan.

ITEM 8.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

STAR EQUITY HOLDINGS, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
Star Equity Holdings, Inc.
Old Greenwich, Connecticut

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Star Equity Holdings, Inc. (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of operations and comprehensive loss, mezzanine and stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Restatement to Correct 2019 Misstatement

As discussed in Note 2 to the consolidated financial statements, the 2019 consolidated financial statements have been restated to correct a misstatement.

Basis for Opinion

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

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

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

Critical Audit Matters

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

Valuation of Goodwill

As described in Note 9 to the Company's consolidated financial statements, the Company's consolidated goodwill balance was $9.5 million as of December 31, 2020 which was allocated between 3 reporting units. During the fourth quarter of 2020, the Company determined one of the reporting units was impaired and recorded an impairment loss of $0.4 million. To estimate the fair value of its reporting units, the Company uses both an income approach and a market approach. The income approach requires management to make significant estimates and judgments regarding future cash flows that are based on a number of factors including actual operating results, forecasted revenue and expenses, discount rate assumptions, and long-term growth rate assumptions. The market approach requires the use of multiples based on financial metrics for both acquisitions and peer group companies.

We identified the valuation of goodwill as a critical audit matter. The principal considerations for our determination are the subjective and complex assumptions used in determining the fair value of reporting units under both the income approach and market approach. Auditing these estimates and related assumptions involved especially challenging and subjective auditor judgment due to the nature and extent of audit evidence and effort required to address these matters, including the extent of specialized skill or knowledge needed.

The primary procedures we performed to address this critical audit matter included:

- Evaluating the reasonableness of management's judgments and assumptions used in the income approach to forecasts of future revenues and expenses by performing certain procedures through: (i) comparing the forecasts to internal communications to management and the Board of Directors, (ii) evaluating the impact of alternative assumptions on the valuation and comparing to management's estimate, and (iii) evaluating whether the forecasts were consistent with evidence obtained in other areas of the audit, including assessing the projected impact of the COVID-19 pandemic on the industry and the forecasted recovery period for the industry.

- Evaluating the reasonableness of management's judgments in determining peer group companies under the market approach.

- Utilizing personnel with specialized knowledge and skill of valuation techniques to assist in: (i) testing the underlying source information utilized in the market approach, (ii) assessing the appropriateness and relative weighting of valuation methods, (iii) testing the mathematical accuracy of the Company's calculations, (iv) evaluating the reasonableness of the discount rate used in the income approach, (v) evaluating the reasonableness of certain assumptions used in the market approach, and (vi) verifying the reasonableness of the fair value estimate derived from the market approach using comparable fair value data from comparable peer companies.

Going Concern Assessment

As described in Note 3 to the Company's consolidated financial statements, the Company has incurred net losses from continuing operations, has an accumulated deficit and has net cash used in operations. As of December 31, 2020, the Company was in breach of certain covenants, for which the Company obtained waivers from the lender. The determination as to whether the Company can continue as a going concern contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Management concluded that the Company has sufficient liquidity and cash flows from operations to continue as a going concern for the next twelve months from the issuance of these consolidated financial statements which is dependent on management's ability to execute their plans.

We identified the Company's going concern assessment as a critical audit matter due to the subjective judgments and assumptions required of management in assessing going concern uncertainty and in preparing a forecast of future cash flows, covenant compliance and borrowing capacity. Auditing these matters involved challenging and subjective auditor judgment due to the nature and extent of audit evidence and effort required to address these matters.

The primary procedures we performed to address this critical audit matter included:

- Obtaining an understanding of management's plan regarding future operations and sources of liquidity.
- Analyzing the reasonableness of management's judgements and assumptions used in the forecast of future cash flows for the next twelve months from the issuance of these consolidated financial statements by comparing to historic cash flows and underlying management assumptions.

- Testing management's forecast of compliance with debt covenants for the next twelve months from the issuance of these consolidated financial statements.
- Evaluating the potential impact of acceleration of debt due to any expected violation of covenants, assessing additional funding relating to commitments from a related party and the deferring of maturity dates for related party debt.
- Assessing management's plans in the context of other audit evidence obtained during the audit to determine whether such information supported or contradicted the conclusions reached by management.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2015.
San Diego, California
March 29, 2021

STAR EQUITY HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In thousands, except per share amounts)

	Year ended December 31,	
	2020	**2019**
Revenues:		
Healthcare	$ 49,232	$ 61,595
Building and Construction	28,879	11,257
Real Estate and Investments	52	82
Total revenues	78,163	72,934
Cost of revenues:		
Healthcare	39,083	46,222
Building and Construction	24,832	9,244
Real Estate and Investments	261	308
Total cost of revenues	64,176	55,774
Gross profit	13,987	17,160
Operating expenses:		
Selling, general and administrative	18,635	15,898
Amortization of intangible assets	2,124	829
Merger and financing costs	—	2,342
Goodwill impairment	436	—
Total operating expenses	21,195	19,069
Loss from continuing operations	(7,208)	(1,909)
Other income (expense):		
Other income (expense), net	3,344	(133)
Interest expense, net	(1,292)	(746)
Loss on extinguishment of debt	—	(151)
Total other income (expense)	2,052	(1,030)
Loss from continuing operations before income taxes	(5,156)	(2,939)
Income tax (provision) benefit	(129)	199
Loss from continuing operations, net of income taxes	(5,285)	(2,740)
Loss from discontinued operations, net of income taxes	(1,172)	(1,887)
Net loss	(6,457)	(4,627)
Deemed dividend on Series A cumulative perpetual preferred stock	(1,916)	(596)
Net loss attributable to common shareholders	$ (8,373)	$ (5,223)
Net loss per common share - basic and diluted*		
Net loss per share, continuing operations	$ (1.44)	$ (1.34)
Net loss per share, discontinued operations	$ (0.32)	$ (0.92)
Net loss per share - basic and diluted	$ (1.76)	$ (2.27)
Deemed dividend on Series A cumulative perpetual preferred stock per share	$ (0.52)	$ (0.29)
Net loss per share, attributable to common shareholders - basic and diluted	$ (2.29)	$ (2.56)
Weighted-average shares outstanding – basic and diluted	3,659	2,041
Net loss	$ (6,457)	$ (4,627)
Other comprehensive loss:		
Reclassification of tax provision impact	—	22
Total other comprehensive income	—	22
Comprehensive loss	$ (6,457)	$ (4,605)

*Earnings per share may not add due to rounding

See accompanying notes to consolidated financial statements.

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

	December 31,	
	2020	2019 (Restated)
Assets:		
Current assets:		
Cash and cash equivalents	$ 3,225	$ 1,747
Restricted cash	168	240
Equity securities	35	26
Accounts receivable, net	12,975	12,916
Inventories, net	9,787	7,029
Other current assets	1,990	1,339
Assets held for sale	20,756	6,251
Total current assets	48,936	29,548
Property and equipment, net	9,762	10,286
Operating lease right-of-use assets, net	1,769	2,238
Intangible assets, net	16,900	19,023
Goodwill	9,542	9,978
Other assets	1,384	1,165
Noncurrent assets held for sale	—	18,322
Total assets	$ 88,293	$ 90,560
Liabilities, Mezzanine Equity and Stockholders' Equity:		
Current liabilities:		
Accounts payable	$ 4,952	$ 6,462
Accrued compensation	2,825	3,747
Accrued warranty	214	421
Deferred revenue	2,184	1,776
Short-term debt and current portion of long-term debt	18,362	20,334
Notes payable to related parties	2,307	1,919
Operating lease liabilities	1,011	1,144
Other current liabilities	3,000	4,186
Liabilities held for sale	7,871	4,487
Total current liabilities	42,726	44,476
Long-term debt, net of current portion	3,700	740
Deferred tax liabilities	51	11
Operating lease liabilities, net of current portion	828	1,206
Other liabilities	1,059	932
Noncurrent liabilities held for sale	—	2,498
Total liabilities	48,364	49,863
Commitments and contingencies (Note 11)		
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 December 31, 2020 and 2019, respectively	21,500	19,602
Stockholders' equity:		
Common stock, $0.0001 par value: 30,000,000 shares authorized; 4,798,367 and 2,050,659 shares issued and outstanding (net of treasury shares) at December 31, 2020 and 2019, respectively	—	—
Treasury stock, at cost; 258,849 shares at December 31, 2020 and 2019	(5,728)	(5,728)
Additional paid-in capital	149,143	145,352
Accumulated deficit	(124,986)	(118,529)
Total stockholders' equity	18,429	21,095
Total liabilities, mezzanine equity and stockholders' equity	$ 88,293	$ 90,560

See accompanying notes to consolidated financial statements.

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

	Year ended December 31,	
	2020	2019
Operating activities		
Net loss	$ (6,457)	$ (4,627)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation	6,330	6,281
Amortization of intangible assets	3,087	1,794
Non-cash lease expense	1,561	1,461
Provision for bad debts	66	129
Stock-based compensation	524	540
Non-cash interest expense	316	185
Loss on extinguishment of debt	—	151
Loss on write-off of financing costs	—	273
Gain on disposal of discontinued operations	—	(350)
Loss (gain) on sale of assets	150	(136)
Gain on Paycheck Protection Program loan forgiveness	(2,470)	—
Goodwill impairment	436	—
Goodwill tax adjustment	—	(265)
Deferred income taxes	43	(98)
Other, net	(22)	(62)
Changes in operating assets and liabilities:		
Accounts receivable	1,225	(3,325)
Inventories	(2,572)	(30)
Other assets	(1,201)	(317)
Accounts payable	(2,458)	(463)
Accrued compensation	(1,109)	211
Deferred revenue	478	155
Operating lease liabilities	(1,586)	(1,498)
Other liabilities	(1,294)	391
Net cash (used in) provided by operating activities	(4,953)	400
Investing activities		
Purchases of property and equipment	(1,493)	(1,512)
Purchase of real estate from related and third parties	—	(5,180)
Proceeds from sale of property and equipment	161	1,734
Sale of equity securities	—	140
Payments to acquire interest in joint ventures	—	(1,000)
Net cash used in investing activities	(1,332)	(5,818)
Financing activities		
Proceeds from borrowings	120,485	98,541
Repayment of debt	(116,301)	(91,203)
Issuances of preferred stock	—	3,000
Loan issuance costs and extinguishment costs	(317)	(662)
Net proceeds from sale and exercise of common stock, over-allotment options and warrants	5,193	—
Repayment of Gerber acquisition loan	—	(3,000)
Fees paid on issuance of preferred stock	(18)	(150)
Deferred financing costs	—	27
Taxes paid related to net share settlement of equity awards	(10)	(24)
Repayment of obligations under finance leases	(972)	(863)
Net cash provided by financing activities	8,060	5,666
Net increase in cash and cash equivalents, including cash classified within current assets held for sale	1,775	248
Less: Net increase (decrease) in cash classified within current assets held for sale	369	(342)
Net increase in cash, cash equivalents, and restricted cash	1,406	590

Cash, cash equivalents, and restricted cash at beginning of year	1,987	1,397
Cash, cash equivalents, and restricted cash at end of year	$ 3,393	$ 1,987
Supplemental Information		
Cash paid during the year for interest	$ 965	$ 1,083
Cash paid during the year for income taxes	$ 30	$ 102
Non-Cash Financing Activities		
Gain on Paycheck Protection Program Loan Forgiveness	$ 2,470	$ —

See accompanying notes to consolidated financial statements.

STAR EQUITY HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF MEZZANINE AND STOCKHOLDERS' EQUITY
(In thousands)

	Perpetual Preferred Stock		Common stock						
	Shares	Amount	Shares	Amount	Treasury Stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total stockholders' equity
Balance at December 31, 2018	—	$ —	2,025	$ —	$ (5,728)	$ 145,430	$ (22)	$ (113,880)	$ 25,800
Issuance of preferred stock	1,916	19,156	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	540	—	—	540
Shares issued under stock incentive plans, net of shares withheld for employee taxes	—	—	23	—	—	(24)	—	—	(24)
Shares issued for fractional shares in conjunction with reverse stock split	—	—	2	—	—	2	—	—	2
Reclassification of tax provision impact	—	—	—	—	—	—	22	(22)	—
Fees paid on issuance of preferred stock	—	(150)	—	—	—	—	—	—	—
Accrued dividend on perpetual preferred stock	—	596	—	—	—	(596)	—	—	(596)
Net loss	—	—	—	—	—	—	—	(4,627)	(4,627)
Balance at December 31, 2019	1,916	19,602	2,050	—	(5,728)	145,352	—	(118,529)	21,095
Stock-based compensation	—	—	—	—	—	524	—	—	524
Shares issued under stock incentive plans, net of shares withheld for employee taxes	—	—	55	—	—	(10)	—	—	(10)
Accrued dividend on perpetual preferred stock	—	1,916	—	—	—	(1,916)	—	—	(1,916)
Net proceeds from sale and exercise of common stock, over allotment options and warrants	—	—	2,693	—	—	5,193	—	—	5,193
Fees paid on issuance of preferred stock	—	(18)	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	(6,457)	(6,457)
Balance at December 31, 2020	1,916	$ 21,500	4,798	$ —	$ (5,728)	$ 149,143	$ —	$ (124,986)	$ 18,429

See accompanying notes to consolidated financial statements.

STAR EQUITY HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. The Company

Star Equity Holdings, Inc. ("Star Equity", or the "Company") is a diversified holding company with three divisions: Digirad Health, Star Building & Construction, and Star Real Estate & Investments. Star Equity, which was incorporated in Delaware in 1997, was formerly known as Digirad Corporation until it changed its name to Star Equity Holdings, Inc. effective January 1, 2021. Star Equity is a diversified holding company that operates the following three divisions: Healthcare, Building & Construction, and Real Estate and Investments. Unless the context requires otherwise, in this report the terms "we," "us," and, "our" refer to Star Equity and our wholly owned subsidiaries.

Digirad Health Division

Digirad Health designs, manufactures, and distributes diagnostic medical imaging products. Digirad Health operates in three businesses: Diagnostic Services, Diagnostic Imaging and Mobile Healthcare. The Diagnostic Services business offers imaging and monitoring services to healthcare providers as an alternative to purchasing the equipment or outsourcing the procedure. The Diagnostic Imaging business develops, sells, and maintains solid-state gamma cameras. The Mobile Healthcare business provides contract diagnostic imaging, including computerized tomography ("CT"), magnetic resonance imaging ("MRI"), positron emission tomography ("PET"), PET/CT, and nuclear medicine and healthcare expertise through a convenient mobile service. The Diagnostic Imaging business develops, sells, and maintains solid-state gamma cameras. On October 30, 2020, Star Equity entered into a Stock Purchase Agreement (the "DMS Purchase Agreement") by and among Star Equity, Project Rendezvous Acquisition Corporation, a Delaware corporation and wholly owned subsidiary of Star Equity ("Seller"), DMS Health Technologies, Inc., a North Dakota corporation and wholly owned subsidiary of 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 will purchase all of the issued and outstanding common stock of DMS Health, which operates the Mobile Healthcare business, from Seller (the "DMS Sale Transaction"). As a result of the entry into the DMS Purchase Agreement, as of December 31, 2020, the Mobile Healthcare business met the criteria to be classified as held for sale and is reported on the Consolidated Statement of Operations as discontinued operations and on the Consolidated Balance Sheet as Assets and Liabilities held for sale.

Star Building and Construction Division

Star Building and Construction manufactures modular housing units for commercial and residential applications. Star Building & Construction operates in two businesses: (i) modular building manufacturing and (ii) structural wall panel and wood foundation manufacturing, including building supply retail operations. The modular building manufacturing business services New England and is operated by KBS Builders, Inc. ("KBS") in Maine. The structural wall panel and wood foundation manufacturing segment is operated by EdgeBuilder, Inc. ("EdgeBuilder"), and the retail building supplies are sold through Glenbrook Building Supply, Inc. ("Glenbrook" and together with EdgeBuilder, "EBGL"). EBGL is based in and services the Greater Minneapolis metropolitan area. KBS, EdgeBuilder and Glenbrook are wholly owned subsidiaries of Star Equity and are referred to collectively herein, and together with ATRM, as the "Construction Subsidiaries."

Star Real Estate & Investments Division

Star Real Estate & Investments generates revenue from the lease of commercial properties and equipment through Star Real Estate Holdings USA, Inc. ("SRE"), a wholly owned subsidiary of Star Equity. Star Real Estate & Investments also includes our investment arm, Lone Star Value Management, LLC ("LSVM"), a wholly owned subsidiary of Star Equity and a Connecticut-based exempt reporting advisor. LSVM, which was previously a wholly owned subsidiary of ATRM, was acquired by the Company in the ATRM Acquisition. In April 2019, as an initial transaction to create the Company's real estate division under SRE, the Company funded the initial purchase of three modular building manufacturing facilities in Maine and then leased those three properties to KBS. The funding of the assets acquisition was primarily through the revolver loan under our credit facility with Sterling National Bank ("Sterling" or "SNB"), a national banking association. LSVM, SRE and the subsidiaries of SRE that are included in this division are referred to collectively herein as the "Investments Subsidiaries."

As of December 31, 2020, our business is organized into four reportable segments: Diagnostic Services, Diagnostic Imaging, Building and Construction, and Real Estate and Investments in the continuing operations. See Note 17. *Segments*, within the notes to our accompanying consolidated financial statements for financial data relating to our segments. For discussion purposes, we categorized our Diagnostic Services and Diagnostic Imaging reportable segments as "Digirad Health."

Note 2. Restatement of Previously Issued Consolidated Financial Statements

In connection with the preparation of our consolidated financial statements, we identified certain material historical errors related to the classification of short-term and long-term debt. Specifically, we determined that our historical presentation of the Sterling National Bank ("SNB") revolver and the EdgeBuilder and Glenbrook ("EBGL") Gerber Finance revolving credit facility were not in accordance with ASC 470 Debt. We determined that our borrowings under these revolving credit agreements that include both a subjective acceleration clause and a requirement to maintain a traditional lock-box arrangement should be classified as short-term obligations. However, the SNB revolver matures in March 2024, and EBGL revolver has an automatic annual renewal feature.

The Company's previously filed annual report on Form 10-K for the fiscal year ended December 31, 2019, and its quarterly reports on Form 10-Q for the periods affected by the restatements, have not been amended. Accordingly, investors should no longer rely upon the Company's previously released financial statements for any quarterly or annual periods after and including March 31, 2019, and any earnings releases or other communications relating to these periods.

The following tables summarize the effects of the restatement adjustments on the Company's restated consolidated balance sheet as of December 31, 2019 and for the first three quarters of the years ended December 31, 2020 and 2019. In addition to the restatement of the consolidated balance sheet, certain historical information within the notes to the consolidated financial statements has been restated to reflect the correction of the error.

The restatement adjustments in the table below reflects the impact of reclassifying $17.0 million SNB revolver balance from long-term to short-term debt and $0.7 million of the Premier Loan balance from short-term to long-term debt as of December 31, 2019.

Total liabilities remains unchanged for all periods presented below and there is no impact to the Consolidated Statements of Operations and Comprehensive Loss, Consolidated Statements of Cash Flows, or Consolidated Statements of Mezzanine and Stockholders' Equity for the Year Ended December 31, 2019 and for the first three quarters of the years ended December 31, 2020 and 2019.

Consolidated Balance Sheet

	December 31, 2019		
(in thousands)	As Reported	Restatement Adjustments	As Restated
Liabilities, Mezzanine Equity and Stockholders' Equity			
Short-term debt and current portion of long-term debt	$ 4,036	$ 16,298	$ 20,334
Total current liabilities	$ 28,178	$ 16,298	$ 44,476
Long-term debt, net of current portion	$ 17,038	$ (16,298)	$ 740
Total liabilities	$ 49,863	$ —	$ 49,863

Quarterly Financial Information (Unaudited)

The following tables summarize the effects of reclassifying EBGL revolver balance from long-term to short-term debt for all quarters during 2020 and SNB revolver from long-term to short-term debt for all quarters presented below, on the Company's consolidated balance sheets as of March 31, 2020 and 2019, June 30, 2020 and 2019, and September 30, 2020 and 2019, which are, in the opinion of management, necessary for a fair statement of the results of the interim periods.

	March 31, 2020			March 31, 2019		
(in thousands)	As Reported	Restatement Adjustments	As Restated	As Reported	Restatement Adjustments	As Restated
Liabilities, Mezzanine Equity and Stockholders' Equity						
Short-term debt and current portion of long-term debt	$ 1,211	$ 16,600	$ 17,811	$ —	$ 12,517	$ 12,517
Total current liabilities	$ 22,373	$ 16,600	$ 38,973	$ 13,423	$ 12,517	$ 25,940
Long-term debt, net of current	$ 18,775	$ (16,600)	$ 2,175	$ 12,517	$ (12,517)	$ —
Total liabilities	$ 45,954	$ —	$ 45,954	$ 30,340	$ —	$ 30,340

	June 30, 2020			June 30, 2019		
(in thousands)	As Reported	Restatement Adjustments	As Restated	As Reported	Restatement Adjustments	As Restated
Liabilities, Mezzanine Equity and Stockholders' Equity						
Short-term debt and current portion of long-term debt	$ 4,459	$ 13,159	$ 17,618	$ —	$ 15,314	$ 15,314
Total current liabilities	$ 24,260	$ 13,159	$ 37,419	$ 14,809	$ 15,314	$ 30,123
Long-term debt, net of current	$ 19,124	$ (13,159)	$ 5,965	$ 15,314	$ (15,314)	$ —
Total liabilities	$ 47,599	$ —	$ 47,599	$ 34,639	$ —	$ 34,639

	September 30, 2020			September 30, 2019		
(in thousands)	As Reported	Restatement Adjustments	As Restated	As Reported	Restatement Adjustments	As Restated
Liabilities, Mezzanine Equity and Stockholders' Equity						
Short-term debt and current portion of long-term debt	$ 4,260	$ 12,106	$ 16,366	$ 3,988	$ 17,217	$ 21,205
Total current liabilities	$ 24,899	$ 12,106	$ 37,005	$ 26,165	$ 17,217	$ 43,382
Long-term debt, net of current	$ 16,896	$ (12,106)	$ 4,790	$ 17,217	$ (17,217)	$ —
Total liabilities	$ 45,797	$ —	$ 45,797	$ 50,533	$ —	$ 50,533

Note 3. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The consolidated financial statements are prepared in conformity with generally accepted accounting principles ("GAAP") accepted in the United States of America and include the financial statements and our wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated. The divestiture of the 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 and 2019 are separately presented as held for sale on the consolidated balance sheet. Unless otherwise noted, discussion within these notes to the consolidated financial statements relates to continuing operations. Refer to Note 4. *Discontinued Operations* for additional information.

Reverse Stock Split

On June 4, 2019, we completed a 1-for-10 reverse stock split of our common stock and reduced the number of authorized shares to 30 million. The reverse stock split did not affect the par value of our common stock. The terms of equity awards under our incentive plans, including the exercise price and number of shares issuable under outstanding awards were also converted in proportion to the reverse split ratio.

All authorized, issued, and outstanding stock and per share amounts contained in the accompanying consolidated financial statements have been adjusted to reflect the 1-for-10 Reverse Stock Split for all prior periods presented.

ATRM Merger

On September 10, 2019 (the "ATRM Acquisition Date"), we completed our acquisition of ATRM pursuant to an Agreement and Plan of Merger, dated as of July 3, 2019 (the "ATRM Merger Agreement"), among Star Equity, Digirad Acquisition Corporation, a Minnesota corporation and our wholly owned subsidiary ("Merger Sub"), and ATRM. Under the terms of the ATRM Merger Agreement, Merger Sub merged with and into ATRM, with ATRM surviving as a wholly owned subsidiary of Star Equity. ATRM is now doing business as Star Building & Construction.

At the effective time of the ATRM Merger, (i) each share of ATRM common stock was converted into the right to receive three one-hundredths (0.03) of a share of 10.0% Series A Cumulative Perpetual Preferred Stock, par value $0.0001 per share, of the Company ("Company Preferred Stock") and (ii) each share of ATRM 10.00% Series B Cumulative Preferred Stock, par value $0.001 per share ("ATRM Preferred Stock"), converted into the right to receive two and one-half (2.5) shares of Company Preferred Stock, for an approximate aggregate total of 1.6 million shares of Company Preferred Stock. No fractional shares of Company Preferred Stock were issued to any ATRM shareholder in the ATRM Merger. Each ATRM shareholder who would otherwise have been entitled to receive a fraction of a share of Company common stock in the ATRM Merger received one whole share of Company Preferred Stock. See Note 6. *Merger*, for further detail.

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 Company Preferred Stock may require the Company to redeem the Company 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 Company Preferred Stock does not qualify as permanent equity and has been classified as mezzanine or temporary equity. Company Preferred Stock is not redeemable and it was not probable that our Preferred Stock would become redeemable as of December 31, 2020 and 2019. Therefore, we are not currently required to accrete the Company 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 our option, in whole or in part) Preferred Stock following the fifth anniversary of issuance of the Company Preferred Stock, at a cash redemption price of $10.00 per share, plus any accumulated and unpaid dividends.

Discontinued Operations

On October 30, 2020, we entered into the DMS Purchase Agreement to sell all of the issued and outstanding common stock of DMS Health, which operates our Mobile Healthcare business. The purchase price for the DMS Sale Transaction is $18.75 million in cash, subject to certain adjustments, including a working capital adjustment.

The completion of the DMS Sale Transaction is subject to receipt of certain consents and customary closing conditions. The DMS Sale Transaction is not subject to approval by our stockholders. The Purchase Agreement contains representations, warranties and covenants, Seller and DMS Health that are customary for a transaction of this nature. The Purchase Agreement also contains indemnification obligations of the parties thereto. Assuming the satisfaction or waiver of the closing conditions, the DMS Sale Transaction is expected to close in the first half of 2021.

Between the date of the DMS Purchase Agreement and the closing date, the Company and Seller have agreed to allow DMS Health and its subsidiaries to, among other things, operate their respective businesses in the ordinary course in all material respects, and to keep their respective businesses and operations intact.

For all periods presented in our consolidated statements of operations, all revenue, cost of revenues, expenses, and income taxes attributable to DMS, except as related to the impact of the decrease in the federal statutory tax rate (see Note 14. *Income Taxes*), have been aggregated under the caption "net loss from discontinued operations, net of income taxes." Additionally, the related assets and liabilities associated with the discontinued operations are classified as held for sale in the consolidated balance sheet. Cash flows used in or provided by DMS operations as part of discontinued operations and prior year results reclassified to conform with the current presentation are disclosed in Note 4. *Discontinued Operations.* Unless otherwise noted, amounts and disclosures throughout these notes to consolidated financial statements relate to our continuing operations.

Liquidity

The accompanying consolidated 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 continuing operations of approximately $7.2 million and $1.9 million for the years ended December 31, 2020 and 2019, respectively. We have an accumulated deficit of $125.0 million and $118.5 million as of December 31, 2020 and 2019, respectively. Net cash used in operations was $5.0 million for the year ended December 31, 2020 compared to net cash provided by operations of $0.4 million for the year ended 2019. The Company will need to secure additional future financing to accomplish its business plan over the next several years and that there can be no assurance on the availability or terms upon which such financing and capital mat be available in the future.

At December 31, 2020, we had approximately $4.3 million in short term debt due within the next twelve months for our Building and Construction division. We were in breach of certain debt covenants with Gerber, as further discussed in Note 10. *Debt* below. The debt held by related parties totaled approximately $2.3 million at December 31, 2020. In February 2021, as discussed more fully below, we refinanced our debt and obtained waivers with Gerber and reset the debt covenants with the lender.

We also had approximately $12.7 million in short term debt due to our borrowings under the Sterling National Bank revolving credit facility which is classified as short term as disclosed in Note 10. *Debt* and matures in March 2024. As of December 31, 2020, we were in compliance with all borrowing arrangements related to our Digirad Health division. The revolver directly supports our healthcare business, but up to $4 million may be drawn to fund non-healthcare operations as long as we maintain a $4 million cushion of excess availability following any non-healthcare distributions, and certain other requirements. As of December 31, 2020, we had $7.3 million of borrowing capacity to fund the operations of these divisions.

On May 28, 2020, we closed a public offering (the "Offering") of 2,225,000 shares of its common stock and 2,225,000 warrants ("Warrants") to purchase up to 1,112,500 shares of its common stock. Net proceeds of the Offering is being used to fund working capital and other general corporate purposes. Further, Jeffrey E. Eberwein, the Executive Chairman of our board of directors, has committed to provide financial support to us by providing written assurances that he will (a) not call approximately $2.3 million of related party debt when it becomes due in October 2020 then extended to June 30, 2022 and (b) extend through June 2021 our put option with respect to $1.0 million in Preferred Stock. In November 2020, Mr. Eberwein signed the second extension letter to extends the maturity date of all notes above to the earlier of (i) the date that is 5 business days after the Closing Date defined within the DMS 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. Management believes that we have the liquidity and operations to continue to support the business through the next 12 months from the issuance of these consolidated financial statements. Our ability to continue as a going concern is dependent on ability to execute our plans.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and disclosures made in the accompanying notes to the consolidated financial statements. Significant estimates and judgments include those related to revenue recognition, allowances for doubtful accounts and contractual allowances, self-insurance, inventory valuation, and income taxes. Actual results could materially differ from those estimates.

Revenue Recognition

We recognize revenue in accordance with Accounting Standards Codification ("ASC") Topic 606 and Topic 842 in the year of 2020 and 2019, which are explained below.

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, including a reasonable profit margin. Determining if an enforceable right to payment includes a reasonable profit margin requires judgment and 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 imaging and cardiac monitoring services to our customers. Service revenue within our Diagnostic Imaging reportable segments is derived from providing our customers with contract diagnostic imaging 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 Imaging 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 at point in time upon 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.

Building and Construction Revenue Recognition.

Within the Building and 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. 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. Revenue is generally recognized at point in time upon delivery of 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 consolidated balance sheets. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities in our 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 discount rate, we use an 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 to not separate lease and non-lease components of our operating leases in which it is the lessee and lessor. Additionally, the Company elected not to recognize right-of use assets and leases liabilities that arise from short-term leases of twelve months or less.

Lessor Accounting

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 used 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.

We elected the operating lease practical expedient for leases to not separate non-lease components of regular maintenance services from associated lease components.

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 income 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.

Concentration of Credit Risk

Financial instruments, which potentially subject us to concentrations of credit risk, consist primarily of cash and cash equivalents, investments, and accounts receivable. We limit our exposure to credit loss by generally placing cash and investments in high credit quality financial institutions and investment grade corporate debt securities. Additionally, we have established guidelines regarding diversification of our investments and their maturities, which are designed to maintain principal and maximize liquidity.

Fair Value of Financial Instruments

The authoritative guidance for fair value measurements defines fair value for accounting purposes, establishes a framework for measuring fair value, and provides disclosure requirements regarding fair value measurements. The guidance defines fair value as an exit price, which is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date. The degree of judgment utilized in measuring the fair value of assets and liabilities generally correlates to the level of pricing observability. Financial instruments primarily consist of cash equivalents, equity securities, accounts receivable, other current assets, restricted cash, accounts payable, and other current liabilities. The carrying amount of other short-term and long term borrowings approximates fair value because of the relative short maturity of these instruments and interest rates we could currently obtain.

Cash and Cash Equivalents

We consider all investments with a maturity of three months or less when acquired to be cash equivalents.

Equity Securities

As of December 31, 2020 and 2019, securities consist of investments in equity securities that are publicly traded. Investments that are strategic in nature, with the intent to hold the investment over a several year period, are classified as other assets (non-current). Effective January 1, 2018, equity securities, with certain exceptions, are measured at fair value and changes in fair value are recognized in net income. During the year ended December 31, 2020, we recognized gains related to changes in fair value of $22 thousand in the statement of operations. During the year ended December 31, 2019, we recorded gains related to changes in fair value of $62 thousand.

Allowance for Doubtful Accounts, and Billing Adjustments

Accounts receivable consist principally of trade receivables from customers and government or third-party healthcare insurance providers, and are generally unsecured and due within 30 days. We regularly evaluate the collectability of our trade receivables and provide reserves for doubtful accounts based on our historical experience rate, known collectability issues and disputes, and our bad debt write-off history. Our estimates of collectability could be impacted by material amounts due to changed circumstances, such as a higher number of defaults or material adverse changes in a payor's ability to meet its obligations. Expected credit losses related to trade accounts receivable are recorded as an allowance for doubtful accounts within accounts receivable, net in the consolidated balance sheets, and the related provision for doubtful accounts is charged to general and administrative expenses.

Within the Diagnostic Services segment, we record a provision for billing adjustments, which are based on our historical experience rate of billing adjustments history. The provision for billing adjustments is charged against Diagnostic Services revenues.

Within the Building and Construction segment, accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is our best estimate of losses that may result from uncollectable accounts receivable. We determine the allowance based on an analysis of individual accounts and an evaluation of the collectability of our accounts receivable in the aggregate based on factors such as the aging of receivable amounts, customer concentrations, historical experience, and current economic trends and conditions. Account balances are charged off against the allowance when we believe it is probable the receivable will not be recovered. We do not have any off-balance sheet credit exposure related to our customers.

The following table summarizes the allowance for doubtful accounts, billing adjustments, and contractual allowances as of and for the years ended December 31, 2020, and 2019 (in thousands):

	Allowance for Doubtful Accounts [1]	Reserve for Billing Adjustments [2]
Balance at December 31, 2018	$ 419	$ 18
ATRM beginning balance	223	—
Provision adjustment	227	248
Write-offs and recoveries, net	(234)	(246)
Balance at December 31, 2019	635	20
Provision adjustment	68	183
Write-offs and recoveries, net	(207)	(190)
Balance at December 31, 2020	$ 496	$ 13

(1) The provision was charged against general and administrative expenses.

(2) The provision was charged against Diagnostic Services revenue.

The amounts above exclude $10 thousand and $13 thousand of Allowance for Doubtful Accounts at Mobile Healthcare classified as held for sale as of December 31, 2020 and December 31, 2019, respectively. See Note 4. *Discontinued Operations*, for additional information.

Inventory

Inventories are stated at the lower of cost (first-in first-out basis) or net realizable value. Finished goods and work-in-process inventory values include the cost of raw materials, labor and manufacturing overhead. Inventory when written down to net realizable value establishes a new cost basis and its value is not subsequently increased based upon changes in underlying facts and circumstances. We also make adjustments to reduce the carrying amount of inventories for estimated excess or obsolete inventories. Factors influencing these adjustments include inventories on-hand compared with historical and estimated future sales for existing and new products and assumptions about the likelihood of obsolescence.

The following table summarizes our reserves for excess and obsolete inventory as of and for the years ended December 31, 2020 and 2019 (in thousands):

	Reserve for Excess and Obsolete Inventories [1]
Balance at December 31, 2018	$ 380
Provision adjustment	50
Write-offs and scrap	(47)
Balance at December 31, 2019	383
Provision adjustment	137
Write-offs and scrap	(121)
Balance at December 31, 2020	$ 399

(1) The provision was charged against Product and product-related cost of revenues.

Long-Lived Assets including Finite Lived Purchased Intangible Assets

Long-lived assets consist of property and equipment and finite lived intangible assets. We record property and equipment at cost, and record other intangible assets based on their fair values at the date of acquisition. We calculate depreciation on property and equipment using the straight-line method over the estimated useful life of the assets, which range from 5 to 20 years for buildings and improvements, 3 to 13 years for machinery and equipment, 1 to 10 years for computer hardware and software, and the lesser of the estimated useful life or remaining lease term for leasehold improvements. Charges related to amortization of assets recorded under capital leases are included within depreciation expense. We calculate amortization on other intangible assets using either the accelerated or the straight-line method over the estimated useful life of the assets, based on when we expect to receive cash inflows generated by the intangible assets. Estimated useful lives for intangibles range from 1 to 15 years.

Impairment losses on long-lived assets used in operations are recorded when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. No impairment was recorded on long-lived assets to be held and used during the years ended December 31, 2020 and 2019.

Valuation of Goodwill

We review goodwill for impairment on an annual basis during the fourth quarter, as well as when events or changes in circumstances indicate that the carrying value may not be recoverable. We begin the process by assessing qualitative factors in determining whether it is more likely than not that the fair value of reporting unit is less than its carrying amount. After performing the aforementioned assessment and upon review of the results of such assessment, we may begin performing impairment analysis by quantitatively comparing the fair value of the reporting unit to the carrying value of the reporting unit, including goodwill. Impairment charge for goodwill is recognized for the amount by which the carrying value of the reporting unit exceeds its fair value and such loss should not exceed the total goodwill allocated to the reporting unit.

Goodwill has historically been derived from the acquisition of ATRM in 2019, MD Office Solutions ("MD Office") in 2015, and substantially all of the assets of Ultrascan, Inc. ("Ultrascan") in 2007. Digirad Imaging Solutions, KBS and EBGL are the reporting units that carry a goodwill balance of $1.7 million, $3.8 million, and $4.0 million, respectively. A goodwill impairment of $0.4 million was recorded for the year ended December 31, 2020. See Note 9. *Goodwill*, for further information.

Self-Insured Health Insurance Benefits

Digirad Health provides healthcare benefits to its employees through a self-insured plan with "stop loss" coverage. The Company records a liability that represents our estimated cost of claims incurred and unpaid as of the balance sheet date. Our estimated reserve is based on historical experience and trends related to both health insurance claims and payments. The ultimate cost of healthcare benefits will depend on actual costs incurred to settle the claims and may differ from the amounts reserved by the Company for those claims. As of December 31, 2020 and 2019, the reserve for estimated claims incurred and unpaid was $0.5 million and $0.5 million, respectively.

Restricted Cash

We maintain certain cash amounts restricted as to withdrawal or use. As of December 31, 2020 and 2019, restricted cash was $0.2 million and $0.2 million, respectively, comprised of cash held for letters of credit for our real estate leases and certain minimum balance requirements on our banking arrangements.

Debt Issuance Costs

We incur debt issuance costs in connection with debt financings. Debt issuance costs recorded in connection with our Sterling National Bank, Gerber, and Premier Bank revolving credit facility are presented in other assets on the consolidated balance sheets and are amortized over the term of the revolving debt agreements using the straight-line method. Amortization of debt issuance costs are included in interest expense. As of December 31, 2020 and 2019, we have $0.6 million and $0.6 million, respectively, of unamortized debt issuance costs.

Shipping and Handling Fees and Costs

We record all shipping and handling costs billed to customers as revenue earned for the goods provided. Shipping and handling costs related to continuing operations are included in cost of revenues and totaled $1.0 million and $0.7 million for the years ended December 31, 2020 and 2019, respectively. Shipping and handling costs included in discontinued operations totaled $24 thousand and $34 thousand for the years ended December 31, 2020 and 2019, respectively.

Share-Based Compensation

We account for share-based awards exchanged for employee and board services in accordance with the authoritative guidance for share-based compensation. Under this guidance, share-based compensation expense is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense, net of forfeitures, over the requisite service period.

Warranty

In Digirad Health, we generally provide a 12-month assurance warranty on our gamma cameras. We accrue the estimated cost of this warranty at the time revenue is recorded and charge warranty expense to product and product-related cost of revenues. Warranty reserves are established based on historical experience with failure rates and repair costs and the number of systems covered by warranty. Warranty reserves are depleted as gamma cameras are repaired. The costs consist principally of materials, personnel, overhead, and transportation. We review warranty reserves quarterly and, if necessary, make adjustments.

Within our Building and Construction segment, KBS provides a limited assurance warranty on its residential homes that covers substantial defects in materials or workmanship for a period of 12 months after delivery to the owner. EBGL provides a limited warranty on the sale of its wood foundation products that covers leaks resulting from defects in workmanship for a period of twenty-five years. Estimated warranty costs are accrued in the period that the related revenue is recognized.

The activities related to our warranty reserve for the years ended December 31, 2020 and 2019 are as follows (in thousands):

	Year Ended December 31,	
	2020	2019
Balance at beginning of year	$ 421	$ 197
ATRM beginning balance	—	60
Charges to cost of revenues	232	547
Applied to liability	(439)	(383)
Balance at end of year	$ 214	$ 421

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs in continuing operations for the years ended December 31, 2020 and 2019 were $0.1 million and $0.3 million, respectively. Total advertising costs in discontinued operations for each of the years ended December 31, 2020 and 2019 were $7 thousand and $11 thousand, respectively.

Basic and Diluted Net 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. 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 per share for the years ended December 31, 2020 and 2019 (in thousands):

	Year Ended December 31,	
	2020	2019
Numerator:		
Net loss from continuing operations	$ (5,285)	$ (2,740)
Net loss from discontinued operations	(1,172)	(1,887)
Net loss	(6,457)	(4,627)
Deemed dividend on Series A perpetual preferred stock	(1,916)	(596)
Net loss attributable to common shareholders	$ (8,373)	$ (5,223)
Denominator:		
Weighted average shares outstanding - basic and diluted	3,659	2,041
Net loss per common share - basic and diluted*		
Net loss per share, continuing operations	$ (1.44)	$ (1.34)
Net loss per share, discontinued operations	$ (0.32)	$ (0.92)
Net loss per share	$ (1.76)	$ (2.27)
Deemed dividend on Series A perpetual preferred stock per share	$ (0.52)	$ (0.29)
Net loss per share, attributable to common shareholders - basic and diluted	$ (2.29)	$ (2.56)

*Earnings per share may not add due to rounding

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 following weighted-average outstanding common stock equivalents were not included in the calculation of diluted net loss per share because their effect was antidilutive (in thousands):

	Year Ended December 31,	
	2020	2019
Stock options	43	54
Stock warrants	1,247	—
Restricted stock units	26	24
Total	1,316	78

As of December 31, 2020, there were 486,140 warrants exercised and 1,963,860 warrants remained outstanding at an exercise price of $2.25.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) is defined as revenues, expenses, gains and losses that under GAAP are included in comprehensive income (loss) but excluded from net income (loss).

Income Taxes

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the consolidated financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

We recognize net deferred tax assets to the extent that the Company believes these assets are more likely than not to be realized. In making such a determination, management considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If management determines that we would be able to realize deferred tax assets in the future in excess of their net recorded amount, management would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

We record uncertain tax positions on the basis of a two-step process whereby (1) management determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, management recognizes the largest amount of tax benefit that is more than 50% likely to be realized upon ultimate settlement with the related tax authority. We recognize interest and penalties related to unrecognized tax benefits within income tax expense, and any accrued interest and penalties would be included within the related tax liability. No such costs were recorded for the years ended December 31, 2020 and December 31, 2019.

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.

Note 4. Discontinued Operations

On February 1, 2018, we completed the sale of customer contracts relating to our Medical Device Sales and Service ("MDSS") post-warranty service business to Philips pursuant to an Asset Purchase Agreement, dated as of December 22, 2017 for $8.0 million. The total cash proceeds were adjusted for deferred revenue liabilities assigned to Philips at the closing date, as well as $0.5 million of proceeds held in escrow, subject to claims for breaches of general representation and warranties, which was recorded in other current assets at the date of sale.

As of December 31, 2019, we recognized a $350 thousand gain for the remaining settlement of the warranty claims in regards to equipment sold to Phillips.

On November 3, 2020, we announced the sale of its DMS Health Technologies, Inc. business unit. The purchase price under the DMS Purchase Agreement is $18.75 million in cash, subject to certain adjustments, including a working capital adjustment. We deemed the disposition of the Mobile Healthcare business unit 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 summarizes the DMS and MDSS results for the years ended December 2020 and 2019 (in thousands):

	Year ended December 31,	
	2020	2019
Total revenues	$ 36,011	$ 41,251
Total cost of revenues	31,493	36,295
Gross profit	4,518	4,956
Operating expenses:		
Selling, general and administrative	4,447	5,677
Amortization of intangible assets	965	965
Loss on sale of buildings	—	232
Gain on sale of MDSS discontinued operations	—	(350)
Total operating expenses	5,412	6,524
Loss from discontinued operations	(894)	(1,568)
Interest expense, net	(256)	(411)
Loss from discontinued operations before income taxes	(1,150)	(1,979)
Tax expense	(22)	92
Net loss from discontinued operations	$ (1,172)	$ (1,887)

The carrying amounts of the major classes of assets reported as “Assets held for sale” consist of the following as of December 2020 and 2019 (in thousands):

	December 31,	
	2020	2019
Cash and cash equivalents	$ 443	$ 73
Accounts receivable, net	4,305	5,655
Inventories, net	50	68
Other current assets	459	456
Property and equipment, net	7,721	11,852
Operating lease right-of-use assets, net	4,863	2,589
Intangible assets, net	2,915	3,880
	$ 20,756	$ 24,573

The carrying amounts of the major classes of liabilities reported as "Liabilities held for sale" consist of the following as of December 2020 and 2019 (in thousands):

	December 31,	
	2020	2019
Accounts payable	$ 1,597	$ 2,469
Accrued compensation	645	832
Deferred revenue	96	10
Operating lease liabilities	4,863	2,588
Other current liabilities	560	453
Deferred tax liabilities	16	12
Other liabilities	94	621
	$ 7,871	$ 6,985

The following table presents supplemental cash flow information of discontinued operations for the years ended December 2020 and 2019 (in thousands):

	December 31,	
	2020	2019
Operating activities		
Net loss from discontinued operations	$ (1,172)	$ (1,887)
Depreciation	4,519	4,679
Amortization of intangible assets	965	965
Gain on sale of MDSS discontinued operations	—	(350)
Share-based compensation	14	18
Loss on disposal of assets	172	17
Provision for bad debt	2	—
Deferred income taxes	5	(266)
Accounts Receivable	1,348	(682)
Other Accounts Receivable	(3,544)	(2,655)
Inventory	18	(28)
Other assets	(3)	(43)
Accounts payable	(872)	(278)
Accrued compensation	(187)	(340)
Deferred revenue	86	326
Other liabilities	(39)	161
Net cash provided by operating activities	$ 1,312	$ (363)
Investing activities		
Purchase of property and equipment	$ (701)	$ (1,053)
Proceeds from sale of property and equipment	142	1,428
Net cash (used in) provided by investing activities	$ (559)	$ 375
Financing activities		
Repayment of obligations under finance leases	(384)	(354)
Net cash used in financing activities	$ (384)	$ (354)

Note 5. Revenue

Healthcare Product and Product-Related Services 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 interim rentals of imaging systems to our customers.

Building and Construction

Building and 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.

Real Estate and 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, provides services that include 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 the Company has an enforceable right to payment, including a reasonable profit margin. Determining if an enforceable right to payment includes a reasonable profit margin requires judgment and 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. The Company uses 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 the Company does not provide significant credits or incentives, which may be variable consideration when estimating the amount of revenue to be recognized.

Disaggregation of Revenue

The following table presents our continuing revenues disaggregated by major source for the years ended December 31, 2020 and 2019 (in thousands):

	Year Ended December 31, 2020				
	Diagnostic Services	Diagnostic Imaging	Building and Construction	Real Estate and Investments	Total
Major Goods/Service Lines					
Mobile Imaging	$ 38,690	$ —	$ —	$ —	$ 38,690
Camera Sales	—	3,450	—	—	3,450
Camera Support	—	6,515	—	—	6,515
Healthcare Revenue from Contracts with Customers	38,690	9,965	—	—	48,655
Lease Income	577	—	260	—	837
Building and Construction	—	—	28,619	—	28,619
Real Estate and Investments	—	—	—	52	52
Total Revenues	$ 39,267	$ 9,965	$ 28,879	$ 52	$ 78,163
Timing of Revenue Recognition					
Services and goods transferred over time	$ 39,267	$ 6,008	$ 3,255	$ —	$ 48,530
Services and goods transferred at a point in time	—	3,957	25,624	52	29,633
Total Revenues	$ 39,267	$ 9,965	$ 28,879	$ 52	$ 78,163

	Year Ended December 31, 2019				
	Diagnostic Services	Diagnostic Imaging	Building and Construction	Real Estate and Investments	Total
Major Goods/Service Lines					
Mobile Imaging	$ 46,531	$ —	$ —	$ —	$ 46,531
Camera Sales	—	7,213	—	—	7,213
Camera Support	—	6,659	—	—	6,659
Healthcare Revenue from Contracts with Customers	46,531	13,872	—	—	60,403
Lease Income	1,192	—	40	—	1,232
Building and Construction	—	—	11,217	—	11,217
Real Estate and Investments	—	—	—	82	82
Total Revenues	$ 47,723	$ 13,872	$ 11,257	$ 82	$ 72,934
Timing of Revenue Recognition					
Services and goods transferred over time	$ 47,723	$ 6,090	$ 40	$ —	$ 53,853
Services and goods transferred at a point in time	—	7,782	11,217	82	19,081
Total Revenues	$ 47,723	$ 13,872	$ 11,257	$ 82	$ 72,934

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, the Company has the right to invoice the customer in an amount that directly corresponds with the value to the customer as the Company performs the services. The Company uses 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. The Company recognizes revenues for installation and training over time as the customer receives and consumes benefits provided as the Company performs 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 are 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 over time 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 primarily our Diagnostic Service segment, we also generate income from rentals of state-of-the-art equipment including cameras, 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.

Within our Building and Construction segment, we subleased the manufacturing building located in Waterford, Maine to a commercial tenant pursuant to a rental agreement with an initial 5 year term that commenced on September 6, 2019. The rental agreement is structured with a monthly payment arrangement and is accounted for as an operating lease.

Building and Construction

Within the Building and 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, it is 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, including a reasonable profit margin, for performance completed to date.

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 annual contract period or at periodic intervals (e.g., monthly, quarterly, or annually).

Changes in the deferred revenues for the year ended December 31, 2020 and 2019, is as follows (in thousands):

Balance at December 31, 2018	$	1,713
ATRM beginning balance [1]		317
Revenue recognized that was included in balance at beginning of the year		(1,477)
Deferred revenue, net, related to contracts entered into during the year		1,248
Balance at December 31, 2019		1,801
Revenue recognized that was included in balance at beginning of the year		(1,494)
Deferred revenue, net, related to contracts entered into during the year		2,045
Balance at December 31, 2020	$	2,352

[1] Contract liabilities assumed on business combination

As of December 31, 2020 and 2019, non-current deferred revenue for continuing operations was $168 thousand and $15 thousand, respectively. See Note 4. *Discontinued Operations* for deferred revenue included in discontinued operations.

The Company has 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. The Company applies 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 the 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 6. Merger

On September 10, 2019 (the "ATRM Acquisition Date"), Star Equity completed its acquisition of ATRM pursuant to an Agreement and Plan of Merger, dated as of July 3, 2019 (the "ATRM Merger Agreement"), among Star Equity, Digirad Acquisition Corporation, a Minnesota corporation and wholly owned subsidiary of Star Equity ("Merger Sub"), and ATRM. Under the terms of the ATRM Merger Agreement, Merger Sub merged with and into ATRM, with ATRM surviving as a wholly owned subsidiary of Star Equity. As a result of the ATRM Merger, ATRM's operations have been included in our consolidated financial statements since the ATRM Acquisition Date.

ATRM, through its wholly-owned subsidiaries, KBS, Glenbrook, and EdgeBuilder, services residential and commercial construction projects by manufacturing modular housing units, structural wall panels, permanent wood foundation systems, and other engineered wood products and supplies general contractors with building materials. LSVM, which was a wholly owned subsidiary of ATRM on the ATRM Acquisition Date, is a Connecticut based exempt reporting advisor that was acquired by the Company in the ATRM Acquisition.

At the effective time of the ATRM Merger, (i) each share of ATRM common stock was converted into the right to receive three one-hundredths (0.03) of a share of 10.0% Series A Cumulative Perpetual Preferred Stock, par value $0.0001 per share, of the Company (Company Preferred Stock) and (ii) each share of ATRM 10.00% Series B Cumulative Preferred Stock, par value $0.001 per share (ATRM Preferred Stock), converted into the right to receive two and one-half (2.5) shares of Company Preferred Stock, for an approximate aggregate total of 1.6 million shares of Company Preferred Stock. No fractional shares of Company Preferred Stock were issued to any ATRM shareholder in the ATRM Merger. Each ATRM shareholder who would otherwise have been entitled to receive a fraction of a share of Company common stock in the ATRM Merger received one whole share of Company Preferred Stock.

The acquisition-date fair value of the consideration transferred in connection with the ATRM Merger approximately $17.5 million, which consisted of the following (in thousands, except share data):

Digirad Series A Cumulative Perpetual Preferred Stock (1,615,637 shares)	$ 16,156
Settlement of pre-existing note receivable between DRAD and ATRM	296
Fair value of pre-existing joint venture settlement between DRAD and ATRM	1,000
Estimated purchase price	$ 17,452

The fair value of the preferred shares issued was determined based on the product of (a) $10.00 (the stated liquidation preference per share of Company Preferred Stock), and (b) 1,615,637 (the number of shares of Company Preferred Stock were issued and exchanged in the ATRM Merger).

The following table summarizes the fair values of the assets acquired and liabilities assumed at the ATRM Acquisition Date (in thousands):

(in thousands)	As originally reported	Measurement period adjustments	As adjusted
Cash and cash equivalents	$ —	$ —	$ —
Accounts receivable, net	2,831	—	2,831
Inventory, net	1,609	—	1,609
Other current assets	481	252	733
Property and equipment, net	840	—	840
Operating Lease Right-of-use assets, net	495	—	495
Accounts payable and other accrued liabilities	(10,851)	—	(10,851)
Debt and notes payable	(5,144)	—	(5,144)
Lease liability	(499)	—	(499)
Deferred income taxes	—	(265)	(265)
Net assets acquired (liabilities assumed)	(10,238)	(13)	(10,251)
Goodwill	8,230	3	8,233
Intangibles	19,460	10	19,470
Estimated purchase price	$ 17,452	$ —	$ 17,452

The $19.5 million of identified intangible assets was allocated as follows (in thousands):

	Fair Value	Weighted-Average Useful Life (years)
Trade Names	$ 5,540	15
Customer Relationships - Modular Buildings	7,830	10
Customer Relationships - Wood Products	5,670	10
Backlog	430	1
Fair value of identified intangible assets	$ 19,470	

$11.3 million and $8.2 million of $19.5 million intangibles were assigned to KBS and EBGL reporting units, respectively. $4.0 million and $4.3 million of $8.2 million goodwill were allocated to KBS and EBGL reporting units, respectively. The goodwill recognized is attributable primarily to expected synergies and the assembled workforce of KBS and EBGL. As of December 31, 2019, there was a subsequent measurement of goodwill and a related tax benefit adjustment that resulted in a net adjustment of $3.0 thousand to the recognized amounts of goodwill resulting from the acquisition of ATRM.

The Company recognized $2.3 million of acquisition related costs including legal, accounting that were expensed during the year ended December 31, 2019. These costs are included in the consolidated statement of operations in the line item entitled "Merger and financing costs."

The amounts of revenue and earnings of ATRM included in the Company's consolidated statement of operations from the ATRM Acquisition Date for the year ended 2019 are as follows (in thousands):

	Year Ended December 31,
	2019
Revenue	$ 11,339
Net loss	$ (821)

The following table presents supplemental cash flow information of the ATRM Merger (in thousands):

	2019
Non-cash investing and financing activities:	
Issuance of Digirad Series A Cumulative Perpetual Preferred Stock (1,615,637 shares)	$ 16,156
Settlement of pre-existing note receivable between DRAD and ATRM	$ 296
Fair value of pre-existing joint venture settlement between DRAD and ATRM	$ 1,000

The following represents the unaudited pro forma condensed consolidated statement of operations as if ATRM had been included in the consolidated results of the Company for the year ended 2019 (in thousands):

	Year Ended December 31,
	2019
Revenue	$ 92,323
Net loss	$ (7,242)

These amounts have been calculated after applying the Company's accounting policies and adjusting the results of ATRM to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant, and equipment and intangible assets had been applied on January 1, 2019, together with the consequential tax effects.

Note 7. Supplementary Balance Sheet Information

The following tables show the consolidated balance sheet details as of December 31, 2020 and 2019 (in thousands):

	December 31, 2020	December 31, 2019
Inventories:		
Raw materials	$ 5,489	$ 4,309
Work-in-process	2,821	2,710
Finished goods	1,876	393
Total inventories	10,186	7,412
Less reserve for excess and obsolete inventories	(399)	(383)
Total inventories, net (1)	$ 9,787	$ 7,029

(1) The amounts above exclude $50 thousand and $68 thousand of inventory at DMS classified as held for sale as of December 31, 2020 and 2019, respectively. See Note 4. *Discontinued Operations*, for additional information.

	December 31, 2020	December 31, 2019
Property and equipment, net:		
Land	$ 805	$ 805
Buildings and leasehold improvements	4,771	4,776
Machinery and equipment	25,687	25,394
Computer hardware and software	3,688	3,483
Gross property and equipment	34,951	34,458
Accumulated depreciation	(25,189)	(24,172)
Total property and equipment, net (1)	$ 9,762	$ 10,286

(1) The amounts above exclude $7.7 million and $11.9 million of property and equipment, net at DMS classified as held for sale as of December 31, 2020 and 2019, respectively. See Note 4. *Discontinued Operations*, for additional information.

Depreciation expense in continuing operations for the years ended December 31, 2020 and 2019 was $1.8 million and $1.6 million, respectively. Depreciation expense in discontinued operations for the years ended December 31, 2020 and 2019 was $4.5 million and $4.7 million, respectively.

In April 2019, Star Equity purchased three manufacturing facilities, including land, in Maine prior to the ATRM Merger, (two of which were purchased from KBS) for $5.2 million and leased those three properties to KBS, as part of a sale and lease back transaction. Subsequent to the ATRM Merger, all lease payments and obligations between the entities are eliminated on consolidation.

KBS subleased the manufacturing building located in Waterford, Maine to North Country Steel Inc., a Maine corporation with an initial 5 year term rental agreement, commenced on September 6, 2019. The rental agreement is structured with a monthly payment arrangement and is accounted for as operating lease. Refer to lease income discussed in Note 5. *Revenue.*

	December 31, 2020			
	Weighted-Average Useful Life (years)	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net
Intangible assets with finite useful lives:				
Customer relationships	10.0	$ 17,079	$ (5,238)	$ 11,841
Trademarks	15.0	5,727	(670)	5,057
Patents	15.0	141	(139)	2
Covenants not to compete	5.0	181	(181)	—
Backlog	1.0	430	(430)	—
Total intangible assets, net (1)		$ 23,558	$ (6,658)	$ 16,900

	December 31, 2019			
	Weighted-Average Useful Life (years)	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net
Intangible assets with finite useful lives:				
Customer relationships	10.0	$ 17,079	$ (3,796)	$ 13,283
Trademarks	15.0	5,727	(294)	5,433
Patents	15.0	141	(138)	3
Covenants not to compete	5.0	181	(174)	7
Backlog	1.0	430	(133)	297
Total intangible assets, net (1)		$ 23,558	$ (4,535)	$ 19,023

(1) The amounts above exclude $2.9 million and $3.9 million of intangible assets, net at DMS classified as held for sale as of December 31, 2020 and 2019, respectively. See Note 4. *Discontinued Operations*, for additional information.

Amortization expense in continuing operations for intangible assets, net for the years ended December 31, 2020 and 2019 was $2.1 million and $0.8 million, respectively. Amortization expense in discontinued operations for intangible assets, net for the years ended December 31, 2020 and 2019 was $1.0 million and $1.0 million, respectively.

Estimated amortization expense for intangible assets for 2021 is $1.8 million, for 2022 is $1.7 million, for 2023 is $1.7 million, for 2024 is $1.7 million, for 2025 is $1.7 million, and thereafter is $8.3 million.

	December 31, 2020	December 31, 2019
Other current liabilities:		
Professional fees	$ 534	$ 634
Sales and property taxes payable	453	1,133
Radiopharmaceuticals and consumable medical supplies	219	79
Current portion of finance lease obligation	594	559
Facilities and related costs	70	144
Outside services and consulting	181	213
Other accrued liabilities	949	1,424
Total other current liabilities (1)	$ 3,000	$ 4,186

(1) The amounts above exclude $0.6 million and $0.5 million of other current liabilities at DMS classified as held for sale as of December 31, 2020 and 2019, respectively. See Note 4. *Discontinued Operations*, for additional information.

Note 8. Fair Value Measurements

We categorize our assets and liabilities measured at fair value into a three-level hierarchy in accordance with the authoritative guidance for fair value measurements. Assets and liabilities presented at fair value in our consolidated balance sheets are generally categorized as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Such assets and liabilities may have values determined using pricing models, discounted cash flow methodologies, or similar techniques, and include instruments for which the determination of fair value requires significant management judgment or estimation.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment, which may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels. The following table sets forth by level within the fair value hierarchy our assets that were recorded at fair value as of December 31, 2020 and 2019 (in thousands):

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

	At Fair Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Equity securities	$ 26	$ 43	$ —	$ 69
Lumber derivative contracts	10	—	—	10
Total	$ 36	$ 43	$ —	$ 79

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 December 31, 2020 and 2019, respectively. During the year ended December 31, 2020, and 2019, we recorded in the statement of operations unrealized gains of $22 thousand and $62 thousand, respectively.

We occasionally enter into lumber derivative contracts in order to protect our gross profit margins from fluctuations caused by volatility in lumber prices. At December 31, 2020, we had no derivative contracts. At December 31, 2019, we had a net long (buying) position of 770,000 board feet under seven lumber derivatives contracts and had a short position of 770,000 board feet under seven lumber derivative contracts.

At December 31, 2020, we no longer have any derivative contracts.

The fair values of our revolving credit facility approximate carrying value due to the variable rate nature of these borrowings.

Note 9. Goodwill

Goodwill has historically been derived from the acquisition of ATRM in 2019, MD Office Solutions (“MD Office”) in 2015, and substantially all of the assets of Ultrascan, Inc. (“Ultrascan”) in 2007. Digirad Imaging Solutions, KBS and EBGL carry a goodwill balance of $1.7 million, $3.8 million and $4.0 million, respectively .

Changes in the carrying amount of goodwill for the years ended December 31, 2020 and 2019, by reportable segment, are as follows (in thousands):

	Diagnostic Services	Building and Construction	Total
Balance at December 31, 2018	$ 1,745	$ —	$ 1,745
Recognition of ATRM [(1)]	—	8,233	8,233
Balance at December 31, 2019	1,745	8,233	9,978
Impairment of EBGL	—	(436)	(436)
Balance at December 31, 2020	$ 1,745	$ 7,797	$ 9,542

(1) On September 10, 2019, Star Equity, previously known as Digirad Corporation, completed its acquisition of ATRM pursuant to the ATRM Merger Agreement. The goodwill recognized is attributable primarily to expected synergies and the assembled workforce of KBS and EBGL. As the result, we allocated the goodwill to the two reporting units, KBS and EBGL, $3.8 million and $4.0 million, respectively. As of December 31, 2019, there was a subsequent measurement of goodwill and a related tax benefit adjustment that resulted in a net adjustment of $3.0 thousand to the recognized amounts of goodwill resulting from the acquisition.

During the fourth quarter of 2020, we performed a qualitative assessment for all reporting units to estimate whether it is more likely than not that the fair value of each reporting unit was less than its carrying amount. In performing this qualitative assessment, we assessed relevant events and circumstances that may impact the fair value and the carrying amount of each reporting unit. Factors that were considered included, but were not limited to, the following: (1) macroeconomic conditions; (2) industry and market conditions; (3) overall financial performance and expected financial performance; (4) other entity specific events. Based on the results of this qualitative assessment, we determined that it is more likely than not that all reporting units were not impaired, with the exception of our EBGL reporting unit.

The Company concluded that it was more likely than not that the carrying value of the EBGL reporting unit were in excess of fair value and therefore, updated its estimated fair value of these assets as of that date. This conclusion was based on lower than expected operating results during the year ended December 31, 2020, primarily as a result of higher commodity lumber price and COVID-19 impact. In performing the goodwill impairment assessment, we determined the fair value of the EBGL and KBS reporting units using both an income approach and a market approach. Under the income-based approach, we use a discounted cash flow model in which cash flows anticipated over several future periods, plus a terminal value at the end of that time horizon, are discounted to their present value using an appropriate risk-adjusted rate of return. We use our internal forecasts to estimate future cash flows and include an estimate of long-term growth rates based on our most recent views of the long-term outlook. Actual results may differ materially from those used in our forecasts. The discount rate used in the discounted cash flow analysis reflects the risks inherent in the expected future cash flows. Determining fair value using a market approach considers multiples of financial metrics based on both acquisitions and trading multiples of a selected peer group of companies. From the comparable companies, a representative market multiple was determined which was applied to financial metrics to estimate the fair value. As a result, we recorded an impairment loss of $0.4 million associated with the impairment assessment of the EBGL reporting unit as of December 31, 2020 within Statement of Operations.

Estimating the fair value of the reporting units requires the use of estimates and significant judgments regarding future cash flows that are based on a number of factors including actual operating results, forecasted billings, revenue, and spend targets, discount rate assumptions, and long-term growth rate assumptions. These estimates and judgments could adversely change in future periods and we cannot provide absolute assurance that all of the targets will be achieved, which could lead to future impairment charges.

Note 10. Debt

A summary of debt as of December 31, 2020 and 2019 is as follows (dollars in thousands):

	December 31, 2020		December 31, 2019	
	Amount	Weighted-Average Interest Rate	Amount (Restated)	Weighted-Average Interest Rate
Revolving Credit Facility - Gerber KBS	$ 1,099	6.00%	$ 1,111	7.50%
Revolving Credit Facility - Premier	—	—%	2,185	6.25%
Revolving Credit Facility - Gerber EBGL	2,016	6.00%	—	—%
Revolving Credit Facility - SNB	12,710	2.64%	17,038	4.26%
Total Short-term Revolving Credit Facility	$ 15,825	3.30%	$ 20,334	4.65%
Gerber - Star Term Loan	$ 262	6.75%	$ —	—%
Premier - Term Loan	419	5.75%	—	—%
Total Short Term Debt	$ 681	6.13%	$ —	—%
Short-term Paycheck Protection Program Notes	$ 1,856	1.00%	$ —	—%
Short-term debt and current portion of long-term debt	$ 18,362	3.17%	$ 20,334	3.98%
Revolving Credit Facility - Premier	$ —	—%	$ 740	6.25%
Total Long-term Revolving Credit Facility	$ —	—%	$ 740	6.25%
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%	$ 740	6.25%
LSV Co-Invest I Promissory Note (“January Note”)	$ 709	12.00%	$ 595	12.00%
LSV Co-Invest I Promissory Note (“June Note”)	1,220	12.00%	1,023	12.00%
LSVM Note	378	12.00%	301	12.00%
Total Notes Payable To Related Parties [(1)]	$ 2,307	12.00%	$ 1,919	12.00%
Total Debt	$ 24,369	3.99%	$ 22,993	5.32%

[(1)] See Note 16. *Related Party Transactions*, for information regarding certain ATRM promissory notes that are outstanding.

Term Loan Facilities

As of December 31, 2020, the short-term debt and current portion of long-term debt included $0.3 million of the Gerber Star term loan, net of issuance costs, and $0.4 million of the Premier term loan. Long-term debt, net of current portion, included $1.1 million of the Gerber Star term loan, net of issuance costs, and $0.3 million of the Premier term loan.

The following table presents the Star and Premier term loans balance net of unamortized debt issuance costs as of December 31, 2020 (in thousands):

	December 31, 2020
	Amount
Gerber - Star Term Loan	$ 1,633
Premier - Term Loan	740
Total Principal	2,373
Unamortized debt issuance costs	(313)
Total	$ 2,060

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 are swept daily to reduce borrowings outstanding. As of December 31, 2020, the Company had $0.2 million of letters of credit outstanding and had additional borrowing capacity of $7.3 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 the end of 2020 was 2.64%.

The Company used a portion of the financing made available under the SNB Credit Facility to refinance and terminate, effective as of March 29, 2019, its previous credit facility with Comerica.

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 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 Borrowers achieving certain milestones set forth therein.

In connection with the SNB Credit Facility, in the year ended December 31, 2019, the Company recognized a $0.2 million loss on extinguishment due to the write off of unamortized deferred financing costs associated with our prior revolving credit facility with Comerica.

At December 31, 2020 and 2019, the Company was in compliance with all covenants.

On February 1, 2021, we entered into an amendment to the SNB Loan Agreement, which is described in more detail in Note 19. *Subsequent Events*, within the notes to our accompanying consolidated financial statements.

ATRM Loan Agreements

As of December 31, 2020, ATRM had outstanding revolving lines of credit of approximately $3.1 million. Our debt through ATRM primarily included (i) $1.1 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 Finance Inc. ("Gerber") and (ii) $2.0 million principal outstanding on EBGL's $3.0 million revolving credit facility under a Revolving Credit Loan Agreement, dated June 30, 2017 (as amended, the "Premier Loan Agreement") with Premier Bank ("Premier"), net of an immaterial amount of unamortized financing fees. As of December 31, 2020, ATRM was at the maximum borrowing capacity under both revolving lines of credit, based on the inventory and accounts receivable on that day which fluctuates weekly.

See Note 16. *Related Party Transactions*, for information regarding certain ATRM promissory notes that are outstanding.

KBS Loan Agreement

On February 23, 2016, ATRM, KBS and Main Modular Haulers, Inc. (a 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 December 31, 2020, 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 December 31, 2020, 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 all receipts are swept daily to reduce borrowings outstanding. At December 31, 2020, approximately $1.1 million was outstanding under the KBS Loan Agreement.

The parties to the KBS Loan Agreement have 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 December 31, 2020 and 2019, KBS was not in compliance with the financial covenants requiring no net annual post-tax loss for KBS or the minimum leverage ratio covenant as of 2020. 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. In April 2019, June 2019, February 2020 and February 2021, we obtained a waiver from Gerber for these events.

On September 10, 2019, the parties of the KBS Loan Agreement entered into a Consent and Acknowledgment Agreement and Twelfth Amendment to Loan Agreement (the "Twelfth Amendment"), by and among Gerber, KBS, ATRM and the Company, pursuant to which the Company agreed to guarantee amounts borrowed by certain ATRM's subsidiaries from Gerber. The Twelfth 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. The Twelfth Amendment also provides that upon payment in full of the EBGL Obligations (as defined therein), the amount of the Cash Collateral (as defined therein) will be reduced to $0.3 million. Additionally, ATRM had on deposit $0.2 million in a collateral account maintained with Gerber to secure the loans under the KBS Loan Agreement which was returned to ATRM in November 2019.

On January 31, 2020, the Company, ATRM, KBS and Gerber entered into a Thirteenth Amendment to Loan and Security Agreement (the "Thirteenth KBS Loan 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 Consent and as a Fourteenth Amendment to Loan and Security Agreement that amended the KBS Loan Agreement (the "Consent and Fourteenth Amendment"). Under the terms of the Consent and Fourteenth Amendment, the parties thereto (and the subordinated creditors that consented thereto) consented to the First EBGL Amendment and agreed that cash collateral would no longer be part of the borrowing base and that the borrowing base would no longer be based on cash availability for purposes of the KBS Loan Agreement.

On April 1, 2020, Gerber and KBS entered into a Fifteenth Amendment to Loan Agreement (the "Fifteenth 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).

On January 5, 2021, Gerber and KBS entered into a Sixteenth Amendment to Loan Agreement (the "Sixteenth Amendment"). The Sixteenth Amendment changed certain definitions under the KBS Loan Agreement to increase the inventory assets against which funds can be borrowed.

On February 26, 2021 Gerber and KBS entered into a Seventeenth Amendment to Loan Agreement (the Seventeenth Amendment"). The Seventeenth Amendment provided 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; (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.

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 under a loan and security agreement with Gerber (the "EBGL Loan Agreement"), which was terminated on the same date and all obligations of EBGL and ATRM in favor of Gerber in connection with the EBGL Loan Agreement were extinguished.

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 through January 31, 2023. The Premier Loan Agreement may be further extended from time to time at our request, subject to approval by Premier. 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, contemporaneously with the execution and delivery of the Star Loan Agreement and EBGL Loan Agreement described below, 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 (the "Premier Note") made by Glenbrook and EdgeBuilder pursuant to the Premier Loan Agreement. Pursuant to the Modification Agreement, the amount of indebtedness evidenced by the Premier Note was reduced to $1.0 million, and the Premier Note was modified to, among other things: (a) extend the Final Maturity Date (as defined in the Premier Note) of the Premier Note to January 31, 2023, and (b) set the interest that the Premier Note will bear at 5.75% per annum. As a condition to close and to then later extend the term of the Premier Loan Agreement, ATRM and Mr. Eberwein executed a guaranty in favor of Premier, which has, through the multiple extensions described above, been extended through January 1, 2023, under which ATRM and Mr. Eberwein have absolutely and unconditionally guaranteed all of EBGL's obligations under the Premier Loan Agreement. As of December 31, 2020, approximately $0.7 million was outstanding under the Premier Loan Agreement.

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 Loan and Security Agreement (the "First Star Amendment") with Gerber that amended the Star Loan Agreement 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 Loan and Security Agreement (the "Second Star Amendment") with Gerber that amended the Star Loan Agreement in order to change terms of repayment for the advance of $0.3 million to EBGL provided for under the First Star Amendment. Under the terms of the Second Star Amendment, the advance of $0.3 million to EBGL is to be repaid in three (3) consecutive equal monthly installments on the thirtieth (30th) day in each calendar month, commencing May 30, 2020, and in a final installment on or before July 31, 2020. As of September 30, 2020, EBGL repaid $0.3 million to Gerber. As of December 31, 2020, $1.6 million was outstanding under the Star Loan Agreement.

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 Loan and Security Agreement (the "First EBGL Amendment") with Gerber that amended the EBGL Loan Agreement and the KBS Loan Agreement in order to, among other things, 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 Loan and Security Agreement that amended the EBGL Loan Agreement in order to, among other things, 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 December 31, 2020, $2.0 million was outstanding under the Gerber EBGL revolving credit facility.

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.

The Star Loan Agreement and EBGL Loan Agreement contains 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 December 31, 2020, EBGL was not in compliance with the financial covenants under the Star Loan Agreement and EBGL Loan Agreement as of 2020. 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 February 2021, we obtained a waiver from Gerber for these events and, as part of the Third EBGL Amendment (described above), 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, as well as discharge the EBGL Eberwein Guaranty.

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

On April 30, 2020, each of KBS, EdgeBuilder and Glenbrook executed a separate promissory note evidencing unsecured loans under the Paycheck Protection Program (the "PPP"). The promissory note executed by KBS is for $0.8 million (the "KBS Note"), the promissory note executed by EdgeBuilder is for $0.2 million (the "EdgeBuilder Note") and the promissory note executed by Glenbrook is for $0.2 million (the "Glenbrook Note"). The KBS Note, the EdgeBuilder Note and the Glenbrook Note, each dated April 30, 2020, are referred to together as the "Construction Notes".

On May 11, 2020, the Company and each of Digirad Imaging Solutions, Inc. ("DIS"), DMS Imaging, Inc. ("DMS Imaging") and DMS Health Technologies, Inc. ("DMS Health"), each a direct or indirect wholly owned subsidiary of the Company, executed a separate promissory note evidencing unsecured loans under the PPP. The promissory note executed by the Company, dated May 7, 2020, is for $0.8 million (the "Company Note"); the promissory note executed by DIS, dated May 5, 2020, is for $3.0 million (the "DIS Note"); the promissory note executed by DMS Imaging, dated May 5, 2020, is for $1.6 million (the "DMS Imaging Note") and the promissory note executed by DMS Health, dated May 7, 2020, is for $0.1 million (the "DMS Health Note"). The Company Note, the DIS Note, the DMS Imaging Note, and the DMS Health Note are referred to together as the "Healthcare Notes". The Construction Notes and the Healthcare Notes are referred to collectively as the "PPP Notes" and each promissory note individually as a "PPP Note". As of December 31, 2020, the $1.6 million DMS Imaging Note, the $0.1 million DMS Health Note, and the $0.8 million Company Note were forgiven. In first quarter 2021, $0.4 million of the Glenbrook Note and EdgeBuilder Note, and $0.8 million of the KBS Note were forgiven; therefore, the DIS Loan is the only PPP Note that remains outstanding.

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"). The loans evidenced by the Construction Notes are being made through Bremer Bank ("Bremer") as lender, and the loans evidenced by the Healthcare Notes are being made through Sterling as lender.

The loans evidenced by the PPP Notes (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. Beginning eleven months from the date of a PPP Note, unless fully forgiven prior thereto, the applicable borrower will pay to its lender thereunder a monthly principal and interest payments. The PPP Loans may be prepaid at any time prior to maturity with no prepayment penalties. The Construction Notes mature on April 30, 2022, and the Healthcare Notes mature two years from the date the loans under the Healthcare Notes are disbursed. Loans under the Company Note and the DIS Note were disbursed on May 12, 2020, and the loans under the DMS Health Note and DMS Imaging Note were disbursed on May 13, 2020.

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 will be determined, subject to limitations, based on the use of loan proceeds for payment of payroll costs and certain other eligible costs. However, no assurance is provided that forgiveness for any portion of the PPP Loans will be obtained and even if forgiveness is granted the PPP Loans may remain subject to review and audit due to all affiliated PPP Notes equaling more than $2 million.

In order to apply for the PPP Loans, we were required to certify, among other things, that the current economic uncertainty made the PPP Loans request necessary to support ongoing operations of the Company. This certification further required the Company to take into account its current business activity and its ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The Company is continuing to evaluate the criteria and new guidance put out by the SBA regarding loan forgiveness and the procedures to seek loan forgiveness. As of December 31, 2020, $2.5 million of the Company Note, DMS Imaging Note and DMS Health Note were forgiven. Subsequently, Construction Notes were forgiven. The Company has sought full loan forgiveness from the SBA for the DIS Note, based on the satisfaction of applicable criteria and guidelines. PPP Loan forgiveness is sought under the belief that all entities requesting loan forgiveness have met the stated criteria and guidelines provided by the SBA and terms of the CARES Act; however, no assurance can be provided that forgiveness of the rest of PPP Loans will be obtained.

As of December 31, 2020, maturities of debt obligations, including ATRM Notes Payable, for the next five years and thereafter are as follows (in thousands):

	Debt Maturities
2021	$ 20,718
2022	3,072
2023	460
2024	400
2025	33
Total	$ 24,683

Note 11. Commitments and Contingencies

Other Matters

In the normal course of business, we have been, and will likely continue to be, subject to 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 12. 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 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 consolidated balance sheets.

The components of lease expense in continuing operations for the year ended December 31, 2020 and 2019 are as follows (in thousands):

	December 31, 2020	December 31, 2019
Operating lease cost	$ 1,303	$ 942
Finance lease cost:		
Amortization of finance lease assets	$ 463	$ 435
Interest on finance lease liabilities	92	86
Total finance lease cost	$ 555	$ 521

Operating lease cost in discontinued operations for the years ended December 31, 2020 and 2019 was $0.9 million and $0.6 million, respectively.

Total finance lease cost in discontinued operations for the years ended December 31, 2020 and 2019 was $0.4 million and $0.3 million, respectively.

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

	December 31, 2020	December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 1,201	$ 938
Operating cash flows from finance leases	$ 92	$ 86
Financing cash flows from finance leases	$ 588	$ 509
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 596	$ 1,189
Finance leases	$ 579	$ 654

Supplemental balance sheet information related to leases as of December 31, 2020 and 2019 was as follows (in thousands):

	December 31, 2020	December 31, 2019
Operating lease right-of-use assets, net (1)	$ 1,769	$ 2,238
Operating lease liabilities	$ 1,011	$ 1,144
Operating lease liabilities, net of current	828	1,206
Total operating lease liabilities (2)	$ 1,839	$ 2,350
Finance lease assets	$ 2,765	$ 2,760
Finance lease accumulated amortization	(791)	(1,089)
Total finance lease assets, net (3)	$ 1,974	$ 1,671
Finance lease liabilities	$ 594	$ 559
Finance lease liabilities, net of current	937	1,001
Total finance lease liabilities (4)	$ 1,531	$ 1,560
Weighted-Average Remaining Lease Term (in years)		
Operating leases	2.3	1.6
Finance leases	2.8	3.0
Weighted-Average Discount Rate		
Operating leases	5.53 %	7.59 %
Finance leases	6.44 %	6.52 %

Finance leases are recorded in other current and long-term liabilities as of December 31, 2020 and 2019.

(1) The amounts above exclude $4.9 million and $2.6 million of right-of-use assets, net at DMS classified as held for sale as of December 31, 2020 and 2019, respectively.

(2) The amounts above exclude $4.9 million and $2.6 million of operating lease liabilities at DMS classified as held for sale as of December 31, 2020 and 2019, respectively.

(3) The amounts above exclude $0.9 million and $1.2 million of finance lease assets, net at DMS classified as held for sale as of December 31, 2020 and 2019, respectively.

(4) The amounts above exclude $0.5 million and $0.9 million of finance lease liabilities at DMS classified as held for sale as of December 31, 2020 and 2019, respectively. See Note 4. *Discontinued Operations*, for additional information.

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 December 31, 2020 were as follows (in thousands):

	Operating Leases	Finance Leases
2021	$ 1,084	$ 729
2022	477	536
2023	256	286
2024	137	118
Thereafter	—	2
Total future minimum lease payments	1,954	1,671
Less amounts representing interest	(115)	(140)
Present value of lease obligations	$ 1,839	$ 1,531

Lessor

In the Digirad Health 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. As of December 31, 2020 and 2019, our lease contracts are mainly month to month contracts.

Within our Building and Construction segment, we subleased the manufacturing building located in Waterford, Maine to a commercial tenant pursuant to a lease with an initial 5 years term, commencing on September 6, 2019. The lease is structured with a monthly payment arrangement and is accounted for as an operating lease. As of December 31, 2020 our undiscounted cash flows for future minimum base rents to be received under operating leases from 2021 to 2024 are $0.1 million, $0.1 million, $0.2 million, and $0.1 million, respectively.

Note 13. Share-Based Compensation

At December 31, 2020, we have two active equity incentive plans, the 2011 Inducement Stock Incentive Plan (the "2011 Plan"), and the 2018 Incentive Plan (the "2018" Plan and together with the 2011 Plan, "the Plans"), under which stock options, restricted stock units, and other stock-based awards may be granted to employees and non-employees, including members of our Board of Directors. The terms of any equity instruments granted under the Plans are approved by the Board of Directors. Stock options typically vest over the requisite service period of one to 4 years and have a contractual term of seven to 10 years. Restricted stock units generally vest over one to 4 years. Under the Plans, we are authorized to issue an aggregate of 485,000 shares of common stock. As of December 31, 2020, the Plans had 368,334 shares available for future issuance. The number of shares reserved for issuance under the 2018 Plan is subject to increase by (i) the number of shares of common stock that remained available for grant under the 2014 Equity Incentive Award Plan (the "2014 Plan") as of the effective date of the 2018 Plan, plus (ii) any shares of common stock under the 2014 Plan that are forfeited, expire, or are canceled. As of December 31, 2020, the number of shares provided for issuance under the 2018 Plan due to unissued, forfeited, expired, and canceled shares under the 2014 Plan was 59,620 shares.

Stock Options

The estimated fair value of our stock options is determined using the Black-Scholes model. All stock options were granted with an exercise price equal to the fair value of the common stock on the grant date. There were no employee stock options granted during the years ended December 31, 2020 and 2019.

A summary of our stock option award activity as of and for the year ended December 31, 2020 is as follows (in thousands, except per share data):

	Number of Shares	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value
Options exercisable at December 31, 2019	53	$ 32.41		
Options outstanding at December 31, 2019	54	$ 32.93		
Options expired	(19)	$ 25.66		
Options outstanding at December 31, 2020	35	$ 36.83	1.1	$ —
Options exercisable at December 31, 2020	35	$ 36.83	1.1	$ —

At December 31, 2020, there is no unrecognized compensation cost related to unvested stock options.

Upon exercise, we issue new shares of common stock. There were no stock option exercises was during the years ended December 31, 2020 and 2019, respectively.

Under the guidance for share-based payments, the fair value of our restricted stock units is based on the grant date fair value of our common stock. All restricted stock units were granted with no purchase price. Vesting of the restricted stock units is subject to service conditions, as well as the attainment of additional performance objectives for certain of the awards. The weighted-average grant date fair value of the restricted stock units was $2.37 and $6.87 per share during the years ended December 31, 2020 and 2019, respectively.

A summary of our restricted stock unit activity as of and for the year ended December 31, 2020 is as follows (in thousands, except per share data):

	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Non-vested restricted stock units outstanding at December 31, 2019	78	$ 11.34
Granted	19	$ 2.37
Forfeited	(4)	$ 4.44
Vested	(59)	$ 8.38
Non-vested restricted stock units outstanding at December 31, 2020	34	$ 12.39

The following table summarizes information about restricted stock units that vested during the years ended December 31, 2020 and 2019 based on service conditions (in thousands):

	Year Ended December 31,	
	2020	2019
Fair value on vesting date of vested restricted stock units	$ 159	$ 171

At December 31, 2020, total unrecognized compensation cost related to non-vested restricted stock units was $0.2 million, which is expected to be recognized over a weighted-average period of 0.7 years.

Allocation of Share-Based Compensation Expense

Total share-based compensation expense related to all of our share-based units for the years ended December 31, 2020 and 2019 was allocated as follows (in thousands):

	Year Ended December 31,	
	2020	2019
Cost of revenues:		
Services	$ 19	$ 21
Product and product-related	8	8
Selling, general and administrative	483	493
Total share-based compensation expense	$ 510	$ 522

Share-based compensation expense in continuing operations for the years ended December 31, 2020 and 2019 was $0.5 million and $0.5 million, respectively. Share-based compensation expense in discontinued operations for the years ended December 31, 2020 and 2019 was $14 thousand and $18 thousand, respectively.

Note 14. Income Taxes

Significant components of the provision (benefit) for income taxes from continuing operations for the years ended December 31, 2020 and 2019 are as follows (in thousands):

	Year Ended December 31,	
	2020	2019
Current provision:		
State	$ 89	$ 55
Total current provision	89	55
Deferred provision:		
Federal	21	253
State	19	(507)
Total deferred benefit	40	(254)
Total income tax provision (benefit)	$ 129	$ (199)

Intraperiod allocation rules require us to allocate our provision for income taxes between continuing operations and other categories or comprehensive income (loss) such as discontinued operations. As described in Note 4. *Discontinued Operations*, the results of our Mobile Healthcare reportable segment have been reported as discontinued operations for the current and prior year. As a result of the intraperiod allocation rules, for the year ended December 31, 2020 and 2019, the Company recorded a tax expense of $22 thousand and a benefit of $0.1 million, respectively, for discontinued operations.

Differences between the provision for income taxes and income taxes at the statutory federal income tax rate for continuing operations are for the years ended December 31, 2020 and 2019 as follows:

	Year Ended December 31,	
	2020	2019
Income tax expense at statutory federal rate	21.0 %	21.0 %
State income tax expense, net of federal benefit	0.4 %	(4.6)%
Permanent differences and other	(11.7)%	(12.0)%
PPP Loan Forgiveness	12.8 %	— %
Transaction costs	— %	(8.5)%
Withholding costs	— %	— %
Revaluation of deferred taxes due to change in effective federal and state tax rates	(1.1)%	0.9 %
Expiration of net operating loss and tax credit carryovers	(47.4)%	(78.3)%
Stock compensation	(1.3)%	(0.1)%
Reserve for uncertain tax positions and other reserves	4.0 %	22.9 %
Change in valuation allowance	20.1 %	65.6 %
(Provision) benefit for income taxes	(3.2)%	6.9 %

Our net deferred tax assets as of December 31, 2020 and 2019 consisted of the following (in thousands):

	December 31,	
	2020	2019
Deferred tax assets:		
Net operating loss carryforwards	$ 22,614	$ 23,922
Research and development and other credits	72	72
Reserves	363	402
Operating lease liabilities	2,619	1,265
Interest carryover	14	190
Other, net	1,186	1,264
Total deferred tax assets	26,868	27,115
Deferred tax liabilities:		
Fixed assets and other	(1,342)	(2,166)
Right of use assets	(2,534)	(1,236)
Intangibles	(4,128)	(4,597)
Total deferred tax liabilities	(8,004)	(7,999)
Valuation allowance for deferred tax assets	(18,930)	(19,139)
Net deferred tax liabilities	$ (66)	$ (23)

The Company recognizes federal and state deferred tax assets or liabilities based on the Company's estimate of future tax effects attributable to temporary differences and carryovers. The Company records a valuation allowance to reduce any deferred tax assets by the amount of any tax benefits that, based on available evidence and judgment, are not expected to be realized. In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. The Company considers projected future taxable income and planning strategies in making this assessment. As of December 31, 2020, as a result of a three-year cumulative loss and recent events, we concluded that a full valuation allowance was necessary to offset our deferred tax assets. We intend to maintain a valuation allowance until sufficient positive evidence exists to support its reversal. The Company continues to be in a cumulative pretax loss for the three year period ended December 31, 2020. Accordingly, the full valuation allowance was maintained for the year ended December 31, 2020. The Company's valuation allowance balance at December 31, 2020 is $18.9 million , offsetting the Company's deferred tax assets. The Company will continue to evaluate its deferred tax balances to determine any assets that are more likely than not to be realized.

As of December 31, 2020, we had federal and state income tax net operating loss carryforwards after estimated section 382 limitations of $94.9 million and $108.8 million, respectively. Pre-2018 federal loss carryforwards will begin to expire in 2021 unless previously utilized. State loss carryforwards of approximately $0.2 million expired in 2020, and approximately $0.4 million is set to expire in 2021, unless previously utilized. We also have federal and California research and other credit carryforwards of approximately $0.7 million and $2.1 million, respectively, as of December 31, 2020. The federal credits will begin to expire in 2021. The California research credits have no expiration. Pursuant to Internal Revenue Code Sections 382 and 383, use of our net operating loss and credit carryforwards may be limited because of a cumulative change in ownership greater than 50%. As of December 31, 2020, the Company has not experienced a change in ownership greater than 50%; however, some of the tax attributes acquired with the DMS Health businesses are subject to such limitations due to ownership changes of greater than 50% that may have occurred or which may occur in the future. A valuation allowance has been recognized to offset the deferred tax assets, as realization of such assets has not met the "more likely than not" threshold required under the authoritative guidance of accounting for income taxes. In addition, the net operating losses acquired in the ATRM Acquisition are also limited under section 382.

The following table summarizes the activity related to our unrecognized tax benefits for the years ended December 31, 2020 and 2019 (in thousands):

	December 31,	
	2020	2019
Balance at beginning of year	$ 2,941	$ 3,610
Expiration of the statute of limitations for the assessment of taxes	(163)	(669)
Balance at end of year	$ 2,778	$ 2,941

Included in the unrecognized tax benefits of $2.8 million at December 31, 2020 was $2.3 million of tax benefits that, if recognized, would reduce our annual effective tax rate, subject to the valuation allowance. The Company does not expect our unrecognized tax benefits to change significantly over the next 12 months.

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. The accrued interest as of December 31, 2020 and 2019, and interest and penalties recognized during the years ended December 31, 2020 and 2019 were of insignificant amounts.

Note 15. Employee Retirement Plan

Employees of the Company's Digirad Health division have a 401(k) retirement plan under which employees may contribute up to 100% of their annual salary, within IRS limits. The Company contributions in continuing operations to the retirement plans totaled $0.2 million and $0.2 million for the years ended December 31, 2020 and 2019, respectively. The Company contributions in discontinued operations to the retirement plans totaled $0.1 million and $0.1 million for the years ended December 31, 2020 and 2019, respectively.

Note 16. 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 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.

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.

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 Digirad, 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 December 31, 2020, Mr. Eberwein owned approximately 3.3% of the outstanding Star Equity common stock. In addition, as of December 31, 2020, 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. The Private Placement was made pursuant to the terms of a Stock Purchase Agreement, dated as of September 10, 2019. The shares of Company Preferred Stock sold in the Private Placement have not been registered under the Securities Act of 1933, as amended (the "Act"), and may not be resold absent registration under, or exemption from registration under, the Act.

At the closing of the Private Placement, the Company and LSVI entered into a Registration Rights Agreement, dated as of September 10, 2019 (the "Registration Rights Agreement"), pursuant to which Digirad agreed to file a registration statement with the SEC, covering the resale of the shares of Company Preferred Stock issued in the Private Placement, if and upon the written request of the Private Placement investors at any time on or before September 10, 2021.

On September 17, 2020, in connection with satisfying the Company's obligations under the Registration Rights Agreement, the Company filed a registration statement with the SEC (the "September Registration Statement") relating to the sale or other disposition from time to time of up to 1,492,321 shares of Company Preferred Stock by the selling stock holders identified in the September Registration Statement, including their transferees, pledgees, donees or successors. Jeffrey E. Eberwein, the Executive Chairman of the Company's board of directors, is a selling stockholder under the September Registration Statement. The selling stockholders may, from time to time, sell transfer, or otherwise dispose of any or all of their shares of Company Preferred Stock or interests in shares of Company Preferred Stock on any stock exchange, market, or trading facility on which the shares are traded or in private transactions. These dispositions by the selling stockholders may be at fixed prices, at prevailing market prices at the time of sale, at prices related to prevailing market price, at varying prices determined at the time of sale, or at negotiated prices.

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 (the "Issuance Option"). In March 2020, Mr. Eberwein extended the put option agreement through June 30, 2021.

ATRM Notes Payable

ATRM has the following related party promissory notes (the "ATRM Notes") outstanding:

(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 extends the maturity date of 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 extends the maturity date of 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 extends the maturity date of 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.

Subordination Agreement

LSVM and LSV Co-Invest I are party 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.

Acquisition of LSVM

On April 1, 2019, ATRM entered into a Membership Interest Purchase Agreement (the "LSVM Purchase Agreement") with LSVM and Mr. Eberwein. Pursuant to the terms of the LSVM Purchase Agreement, Mr. Eberwein sold all of the issued and outstanding membership interests of LSVM to ATRM (the "LSVM Acquisition") for a purchase price of $100, subject to a working capital adjustment provision. The LSVM Acquisition closed simultaneously with the execution and delivery of the LSVM Purchase Agreement, and was deemed effective as of January 1, 2019 for accounting purposes, as a result of which LSVM became a wholly-owned subsidiary of ATRM. Pursuant to the LSVM Purchase Agreement, the current assets as well as the $0.3 million promissory note issued by ATRM and current liabilities existing prior to January 1, 2019 remain with Mr. Eberwein. Cash contributions made by Mr. Eberwein subsequent to the ATRM Acquisition also exist as a payment due to Mr. Eberwein by ATRM. The LSVM Purchase Agreement contains representations, warranties, covenants and indemnification provisions customary for transactions of this type. LSVM was acquired by the Company as part of the ATRM Acquisition.

Financial Assistance

On May 1, 2019, the special committee of the Company's board of directors (the "Special Committee") approved financial assistance by the Company to ATRM, in the form of advances or cash payments on behalf of ATRM, in order assist ATRM in becoming current with its financial statements and filings with the SEC. Under the terms of this approval, the Company was authorized to advance or spend up to an aggregate maximum amount of $0.4 million, with subsequent increments of $0.01 million subject to further approval by a designated member of the Special Committee. On July 30, 2019, the Special Committee increased the amount of financial assistance that the Company is authorized to provide to $0.8 million. The Company entered into an agreement with ATRM pursuant to which ATRM agreed to repay all such financial assistance if the ATRM Acquisition did not close.

Joint Venture

On December 14, 2018, the Company and ATRM, entered into a joint venture and formed Star Procurement, LLC ("Star Procurement"), with the Company and ATRM each holding a 50% interest in Star Procurement. The purpose of the joint venture was to provide the service of purchasing and selling building materials and related goods to KBS with which Star Procurement entered into a Services Agreement on January 2, 2019. In accordance with the terms of the Star Procurement Limited Liability Company Agreement, the Company made a $1.0 million capital contribution to the joint venture in January 2019.

As of December 31, 2020, and upon the completion of the ATRM Merger, Star Procurement became wholly owned subsidiary of the Company.

Acquisitions and Leases of Maine Facilities

Through its SRE subsidiary, and prior to the completion of the ATRM Merger, the Company purchased two plants in Maine that manufacture modular buildings from KBS, a wholly-owned subsidiary of ATRM. SRE then leased these properties back to KBS, as further described below.

Waterford

On April 3, 2019, 947 Waterford, a wholly-owned subsidiary of SRE, entered into a Purchase and Sale Agreement (the "Waterford Purchase Agreement") with KBS pursuant to which 947 Waterford closed on the purchase of certain real property and related improvements (including buildings) located in Waterford, Maine (the "Waterford Facility") from KBS, and acquired the Waterford Facility. The purchase price of the Waterford Facility was $1.0 million, subject to adjustment for taxes and other charges and assessments.

KBS subleased the manufacturing building located in Waterford, Maine to North Country Steel Inc., a Maine corporation with an initial 5 year term rental agreement, commenced on September 6, 2019. The rental agreement is structured with a monthly payment arrangement and is accounted for as operating lease.

Paris

On April 3, 2019, 300 Park, a wholly-owned subsidiary of SRE, entered into a Purchase and Sale Agreement (the "Park Purchase Agreement") with KBS, pursuant to which 300 Park closed on the purchase of certain real property and related improvements and personal property (including buildings, machinery and equipment) located in Paris, Maine (the "Park Facility") from KBS, and acquired the Park Facility. The purchase price of the Park Facility was $2.9 million, subject to adjustment for taxes and other charges and assessments.

Lease of Maine Facilities

On April 3, 2019, KBS entered into a separate lease agreement with each of 947 Waterford (the "Waterford Lease") and 300 Park (the "Park Lease"). The Waterford Lease has an initial term of 120 months, which is subject to extension. The base rental payments associated with the initial term under the Waterford Lease were estimated to be between $1.2 million and $1.3 million in the aggregate. The Park Lease had an initial term of 120 months, which is subject to extension. The base rental payments associated with the initial term under the Park Lease are estimated to be between $3.3 million and $3.6 million in the aggregate. ATRM had unconditionally guaranteed the performance of all obligations under the Waterford Lease and Park Lease to be performed by KBS under each lease, including, without limitation, the payment of all required rent.

On March 27, 2019, 56 Mechanic, a wholly-owned subsidiary of SRE, purchased from a third party certain property and equipment located in Oxford, Maine (the "Oxford Facility"). The transaction closed on April 25, 2019. The purchase price of the Oxford Facility was $1.2 million, subject to adjustment for taxes and other charges and assessments. On April 3rd and 18th of 2019, KBS signed a lease and an amendment, respectively, with 56 Mechanic (the "Oxford Lease"), which became effective upon the closing of the transaction. The initial term under the Oxford Lease commenced upon delivery of the Oxford Facility to KBS. The Oxford Lease had an initial term of 120 months, which is subject to extension. The base rental payments associated with the initial term under the Oxford Lease were estimated to be between $1.4 million and $1.5 million in the aggregate. ATRM had unconditionally guaranteed the performance of all obligations under the Oxford Lease to be performed by KBS, including, without limitation, the payment of all required rent.

As of September 10, 2019 and upon the completion of the ATRM Merger, the Waterford Lease, the Park Lease and the Oxford Lease are treated as intercompany transactions and eliminated in consolidation.

Note 17. Segments

Our business is organized into four reportable segments:

1. Diagnostic Services
2. Diagnostic Imaging
3. Building and Construction
4. Real Estate and Investments

For discussion purposes, we categorized our Diagnostic Services reportable segment as "Services," and our Diagnostic Imaging reportable segment as "Product and Product-Related."

Diagnostic Services. Through Diagnostic Services, the Company offers 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. The Company provides imaging services primarily to cardiologists, internal medicine physicians, and family practice doctors who typically enter annual contracts for a set number of days ranging from once per month to five times per week.

Diagnostic Imaging. Through Diagnostic Imaging, the Company sells 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.

Building and Construction. Through Star Equity's 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 commercial and residential buildings with a focus on customization to suit the project requirements and provide engineering and design expertise. Glenbrook is a retail supplier of lumber, windows, doors, cabinets, drywall, roofing, decking and other building materials 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.

Real Estate and Investments. Through this segment, we hold significant real estate assets that the Company acquires. As an initial transaction to create the Company's real estate division under SRE in April 2019, the Company funded the initial purchase of three manufacturing facilities in Maine that manufacture modular buildings and leased those three properties. The funding of the assets acquisition was primarily through the revolver loan under our SNB Credit Facility. We also have an investment arm that operates under LSVM, which provides investment advisory services. We expect the investment advisory services to assist in making strategic investments, some of which may produce potential acquisition targets for the Company.

Our reporting segments have been determined based on the nature of the products and services offered to customers or the nature of their function in the organization. We evaluate performance based on the gross profit and operating income (loss) excluding litigation reserve expense, goodwill impairment, and transaction and integration costs. The Company does not identify or allocate its assets by operating segments. Accordingly, assets are not being reported by segment because the information is not available by segment and is not reviewed in the evaluation of performance or making decisions in the allocation of resources. Our operating costs included in our shared service functions primarily consist of senior executive officers, finance, human resources, legal, and information technology. During the fourth quarter of 2020, we have classified the results of our DMS segment as discontinued operations in our consolidated statement of operations for all periods presented. Accordingly, segment results have been recast for all periods presented to reflect DMS as discontinued operations. As costs of shared service functions previously allocated to DMS are not allocable to discontinued operations, prior period corporate costs have been reallocated amongst the continuing reportable segments.

Segment information for the years ended December 31, 2020 and 2019 is as follows (in thousands):

	Year ended December 31,	
	2020	2019
Revenue by segment:		
Diagnostic Services	$ 39,267	$ 47,723
Diagnostic Imaging	9,965	13,872
Building and Construction	28,879	11,257
Real Estate and Investments	685	275
Corporate, eliminations and other	(633)	(193)
Consolidated revenue	$ 78,163	$ 72,934
Gross profit by segment:		
Diagnostic Services	$ 6,758	$ 10,237
Diagnostic Imaging	3,391	5,136
Building and Construction	4,047	2,013
Real Estate and Investments	424	(33)
Corporate, eliminations and other	(633)	(193)
Consolidated gross profit	$ 13,987	$ 17,160
Income (loss) from operations by segment:		
Diagnostic Services	$ 3,888	$ 6,788
Diagnostic Imaging	2,136	3,283
Building and Construction	(2,909)	307
Real Estate and Investments	270	(312)
Corporate, eliminations and other	(633)	(193)
Unallocated corporate and other expenses	(9,524)	(9,440)
Segment (loss) income from operations	(6,772)	433
Goodwill impairment [(1)]	(436)	—
Merger and finance costs [(2)]	—	(2,342)
Consolidated loss from operations	$ (7,208)	$ (1,909)
Depreciation and amortization by segment:		
Diagnostic Services	$ 1,222	$ 1,277
Diagnostic Imaging	260	278
Building and Construction	2,172	711
Real Estate and Investments	282	165
Total depreciation and amortization	$ 3,936	$ 2,431

[(1)] *Reflects impairment of goodwill for Building & Construction.*

[(2)] *Reflects legal and other costs related to the ATRM Merger and holding company establishment.*

Geographic Information. The Company's sales to customers located outside the United States in continuing operations for the years ended December 31, 2020 and 2019 was $0.3 million and $0.2 million, respectively. The Company's sales to customers located outside the United States in discontinued operations for the years ended December 31, 2020 and 2019 was $0.1 million and $0.2 million, respectively. All of our long-lived assets are located in the United States.

Note 18. Perpetual Preferred Stock

Holders of shares of 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. Series A 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 Series A Preferred 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, Series A Preferred Stock may be subject to redemption. The Company may redeem the Series A Preferred upon the occurrence of a change of control, subject to certain conditions. The Company may also voluntarily redeem some or all of the Series A Preferred on or after September 10, 2024.

As of December 31, 2020 and 2019, the Company's board has not declared a dividend on the Company Preferred Stock and the aggregate and per-share amounts of cumulative preferred dividends in arrears are $2.5 million and $1.31 per share, respectively.

A roll forward of the balance of Company Preferred Stock for the year ended December 31, 2020 is as follows (in thousands):

Balance at December 31, 2019	$	19,602
Deemed dividend on Series A cumulative perpetual preferred stock		1,916
Fees paid on issuance of preferred stock		(18)
Balance at December 31, 2020	$	21,500

Note 19. Subsequent Events

On February 1, 2021, the Company completed the sale of its MD Office Solutions subsidiary to M.D.O.S.C.A Inc., a California based holding company ("MDOSCA"), in exchange for a secured promissory note in the original principal amount of $1.4 million and entry into multi-year service and support agreements between MDOSCA and Digirad Health, Inc., a wholly owned subsidiary of the Company.

On February 1, 2021, in connection with the closing of the Company's sale of MD Office Solutions, the Company entered into an 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 February 26, 2021 Gerber and KBS entered into a Seventeenth Amendment to Loan Agreement (the Seventeenth Amendment"). The Seventeenth Amendment provided 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; (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 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 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 and removed Mr. Eberwein as an ancillary guarantor from the EBGL Loan Agreement.

On March 26, 2021, in connection with the DMS Sale Transaction, Seller and Buyer entered into an Amendment to Stock Purchase Agreement that amended the Purchase Agreement in order to, among other things, (i) eliminate the requirement that a portion of the purchase price be held in escrow upon closing, and (ii) eliminate the requirement for a purchase price adjustment at closing based on cash and net working capital.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities and Exchange Commission Act of 1934 reports is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our chief executive officer 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 chief executive officer 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. Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were not effective as of December 31, 2020 as a result of the material weakness discussed below.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Based on our evaluation under the framework in *Internal Control—Integrated Framework (2013)*, our management concluded that our internal control over financial reporting was not effective as of December 31, 2020.

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 internal controls over financial reporting are designed to provide reasonable assurance of achieving their objectives as specified above. Management does not expect, however, that our internal controls over financial reporting will prevent or detect all errors and fraud. Any internal control system, no matter how well designed and operated, 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 the material weakness described above in this Item 9A, there were 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 Securities Exchange Act of 1934 that occurred during fourth quarter of 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The current number of directors on our Board of Directors is five. Under our bylaws, the number of directors on our Board of Directors will not be less than five, nor more than nine, and is fixed, and may be increased or decreased by resolution of the Board of Directors. There are no family relationships among any of our directors or executive officers.

Name	Age*	Position	Director Since
Jeffrey E. Eberwein	50	Director, Executive Chairman of the Board	2012
Matthew G. Molchan	54	President and Chief Executive Officer of Digirad Health, Inc., and Director	2013
Michael A. Cunnion	50	Director	2014
John W. Sayward	69	Director	2008
Mitchell I. Quain	69	Director (Lead Independent Director)	2019

*** As of March 6, 2021**

We began fiscal year 2020 with seven directors. On April 6, 2020, director John M. Climaco resigned from the Board of Directors of the Company and all committees of the Board of Directors effective as of such date and director Dimitrios J. Angelis did not stand for re-election to the Board of Directors at our annual meeting held on July 31, 2020. With the departures of Mr. Climaco and Mr. Dimitrios in 2020, the number of directors on our Board of Directors was reduced to five.

Our Board of Directors

Jeffrey E. Eberwein Age: 50 Director since 2012

Chief Executive Officer of Hudson Global Inc. ("Hudson") and Executive Chairman of Star Equity Holdings, Inc.

Committees: None

Mr. Eberwein assumed the position of Executive Chairman of the Board of the Company on January 1, 2021, after serving as Chairman of the Board since February 6, 2013. As Executive Chairman, Mr. Eberwein became the Company's principal executive officer. Mr. Eberwein is also the chairman of the board at Hudson, a global recruitment company. Mr. Eberwein has served as a director of Hudson since May 2014 and as its Chief Executive Officer since April 1, 2018. Mr. Eberwein is also the Chief Executive Officer of Lone Star Value Management, LLC ("LSVM"), a Connecticut based exempt reporting advisor and investment firm that Mr. Eberwein founded in 2013, of which certain funds it manages are winding down. LSVM was a wholly owned subsidiary of ATRM Holdings, Inc. ("ATRM"), a modular building company that was acquired by the Company on September 10, 2019 (the "ATRM Acquisition" or the "ATRM Merger"). Mr. Eberwein joined the board of directors of ATRM in January 2013 and became its chairman in November 2013. He has 25 years of Wall Street experience, and has valuable public company and financial expertise gained through his employment history and directorships. Prior to founding LSVM in 2013, Mr. Eberwein was a private investor and served as a portfolio manager at Soros Fund Management from 2009 to 2011 and Viking Global Investors from 2005 to 2008. Previously, Mr. Eberwein served as chairman of the board of Ameri Holdings, Inc. from May 2015 to August 2018. Mr. Eberwein also previously served as a director of Novation Companies, Inc. from April 2015 to March 2018; Crossroads Systems, Inc. from June 2013 to May 2016; NTS, Inc. from December 2012 to June 2014; On Track Innovations Ltd. from 2012 to 2014; and Goldfield Corporation from 2012 to 2013. Mr. Eberwein earned an M.B.A. from The Wharton School, University of Pennsylvania and a B.B.A. with High Honors from The University of Texas at Austin.

We believe Mr. Eberwein's expertise in finance and experience in the investment community, along with his extensive experience, qualifications, attributes and skills make him well qualified to serve as a director of our Company.

On February 14, 2017, the Securities and Exchange Commission ("SEC") issued an order (Securities Exchange Act Release No. 80038) (the "Order") relating to allegations that certain groups of investors failed to properly disclose ownership information during a series of five campaigns to influence or exert control over microcap companies. The Order alleged violations of Section 13(d)(1) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rule 13d-1 thereunder, Section 13(d)(2) of the Exchange Act and Rule 13d-2(a) thereunder and Section 16(a) of the Exchange Act and Rules 16a-2 and 16a-3 thereunder by Mr. Eberwein and a hedge fund adviser headed by him, LSVM, a mutual fund adviser and another investor. Without admitting or denying the findings, they consented to the Order and agreed to cease and desist from committing any violations of the above-referenced Exchange Act provisions and civil penalties of $90 thousand for Mr. Eberwein, $120 thousand for LSVM, $180 thousand for the mutual fund advisor and $30 thousand for the other investor. On February 24, 2020, the SEC issued an order (Securities Exchange Act Release No. 5448) (the "Advisers Act Order") relating to allegations, among other things, that LSVM failed to properly disclose certain specific transactions in advance and obtain client consent for these transaction prior to their completion and that LSVM failed to implement certain written policies and procedures. The Advisers Act Order alleged violations of Section 206(3) and 206(4) of the Investment Advisers Act of 1940 ("Advisers Act") and Rule 206(4)-7 thereunder by Mr. Eberwein and LSVM. Without admitting or denying the findings, they consented to the Advisers Act Order and agreed to cease and desist from committing or causing any violations of the above-referenced Advisers Act provisions, for LSVM to be censured and to pay civil penalties of $25 thousand for Mr. Eberwein and $100 thousand for LSVM.

Matthew G. Molchan Age: 54 Director since 2013

President and Chief Executive Officer of Digirad Health, Inc.

Committees: None

Mr. Molchan's full biographical information is provided below under the heading "Our Executive Officers."

We believe that Mr. Molchan's extensive experience and key roles at a number of other companies having attributes similar to the Company, enable him to assist in the effective management of the Company and make him well qualified to serve on our Board of Directors.

Michael A. Cunnion Age: 50 Director since 2014

President and Chief Executive Officer, Remedy Health Media

Committees: Audit, Corporate Governance and Compensation (Chairman)

Mr. Cunnion has an extensive history of leadership roles at healthcare media and communication companies. Since September 2008, Mr. Cunnion has been Chief Executive Officer of Remedy Health Media, a privately held health media company. In addition, prior to that, from January 2004 to December 2007, Mr. Cunnion was the President of privately held HealthTalk, a leading provider of tools and information for chronically ill patients and caregivers. Mr. Cunnion successfully built this company and subsequently sold it to Revolution Health in December 2007. Subsequent to this sale, Mr. Cunnion took on the role of Executive Vice President of Revolution Health, where he oversaw revenue and sales strategy until Revolution Health merged with Everyday Health. Prior to HealthTalk, from December 1998 to December 2003, Mr. Cunnion held the role of Senior Director, Consumer Marketing at WebMD, where he led consumer sales strategy, product development and advertising operations. Mr. Cunnion currently serves on the board of directors of Health-e-Commerce, a healthcare e-commerce platform that simplifies healthcare purchasing for consumers, employers and benefit administrators. This is a post that he has held since 2011. Mr. Cunnion earned a B.A. degree in English from Florida State University.

We believe that Mr. Cunnion's extensive experience with health care media companies, coupled with his experience with building up companies and creating ownership value are of significant strategic importance to us and make him well qualified to serve on our Board of Directors. His history of creating and leveraging collaborative relationships with the companies he has been part of to maximize value in both the continued organic growth and sale of such companies can be of great benefit to our stockholders.

John W. Sayward Age: 69 Director since 2008

Retired Partner, Nippon Heart Hospital LLC

Committees: Audit (Chairman), Corporate Governance and Compensation

John W. Sayward is a career health care and pharmaceutical executive. Most recently, he served as Chief Executive Officer for Hera Therapeutics Inc., a position he held through June 2015. Prior to this, Mr. Sayward served as the Chief Operating Officer and Chief Financial Officer of Hera Therapeutics Inc. since September 2014. Previously, he was Partner at Nippon Heart Hospital, LLC from September 2005 to January 2007, which was formed to build and manage cardiovascular care hospitals in Japan. From 2002 to 2005, Mr. Sayward was the Executive Vice President and Chief Financial Officer of LMA North America Inc., a medical device business focused on patient airway management. From 1996 to 2001, Mr. Sayward served as the Executive Vice President of Finance, Chief Financial Officer and Treasurer of SICOR Inc., and was elected to its board of directors in 1998. Previous to the above, he served in various management positions with Baxter Healthcare. He received a B.A. in History from Northwestern University in 1973 and a Master of Management from the Kellogg School of Management at Northwestern University in 1975.

We believe that Mr. Sayward's past experiences in the health care industry, both in medical devices and pharmaceuticals, makes him well qualified to serve on our Board of Directors. Further, Mr. Sayward's depth and breadth of positions and experiences also makes him well qualified to serve as a financial expert and audit committee chairman.

Mitchell I. Quain Age: 69 Director since 2019

Lead Director, Jason Incorporated

Committees: Audit, Corporate Governance and Compensation

Mr. Quain joined the board of the Company in January, 2019 and became lead independent director on January 1, 2021. He has served as a Senior Advisor to The Carlyle Group, L.P., a private equity firm, since December 2011. Mr. Quain is currently the Lead Director of Jason Incorporated , where he has served as a director since September 2015 and is a member of its Compensation Committee and its Corporate Governance and Nominating Committee. Mr. Quain has served a director of AstroNova, Inc. (NASDAQ: ALOT) since August 2011 and is the Chairman of its Compensation Committee and a member of its Audit and Nominating Committees. Previously, Mr. Quain served on the boards of RBC Bearings Incorporated (NASDAQ: ROLL) from September 2011 until September 2018, where he was a member of its Audit Committee; Hardinge, Inc. (NASDAQ: HDNG) from 2004 until May 2018, where he was lead outside director, Chairman of its Nominating and Governance Committee and a member of its Compensation Committee; Xerium Technologies, Inc. (NYSE: XRM) from April 2017 until October 2018, where he was a member of its Audit and Compensation Committees; Magnetek, Inc. (NASDAQ: MAG) from 1999 until September 2015, where he was Chairman of it board from October 2006 until September 2015 and a member of its Compensation, Audit and Retirement Plan Committees and Chairman of its Nominating and Corporate Governance Committee; and Tecumseh Products Company (NASDAQ: TECU) from October 2014 until September 2015, where he was a member of its Audit Committee and Governance and Nominating Committee. Mr. Quain also previously served on the boards of DeCrane Aircraft Holdings, Inc., Handy & Harman, Heico Corporation, Mechanical Dynamics, Inc., Titan International, Inc., and Register.com, Inc. From January 2010 through December 2011, Mr. Quain was a Partner at One Equity Partners, a private investment firm. From 2006 through 2009, he was a Senior Director of ACI Capital Corp. From 1997 to 2001 he was employed with ABN AMRO and its predecessors in several capacities, including Vice Chairman of Investment Banking. Mr. Quain has a Bachelor of Science degree in electrical engineering from the University of Pennsylvania and a Master of Business Administration degree from Harvard University. He is also a Chartered Financial Analyst.

Mr. Quain brings to the Board experience in public company governance and investment experience in small-cap and industrial companies, which gives him a valuable perspective in his role as a director. His qualifications to serve as a director also include his private equity investment experience.

Our Executive Officers

The names of our executive officers, their ages, their positions with the Company, and other biographical information are set forth below.

Name	Age	Position
Jeffrey E. Eberwein	50	Director, Executive Chairman of the Board
Matthew G. Molchan	54	President and Chief Executive Officer of Digirad Health, Inc., and Director
David J. Noble	50	Chief Financial Officer and Chief Operating Officer
Martin B. Shirley	57	President of Digirad Imaging Solutions

Jeffrey E. Eberwein. Mr. Eberwein's full biographical information is provided above under the heading "Our Board of Directors."

Matthew G. Molchan became President of Digirad Health, Inc., in October 2018 and a member of our Board of Directors on July 1, 2013. Effective January 1, 2021, Mr. Molchan assumed the additional position of Chief Executive Officer of Digirad Health, Inc. following his resignation as President and Chief Executive Officer of the Company, a position he held since July 1, 2013. In addition, Mr. Molchan served as our Interim Chief Financial Officer from April 10, 2018 until January 15, 2019. In connection with the Company's investment in Perma-Fix Medical, S.A. ("Perma-Fix Medical"), a publicly traded company listed on the NewConnect market of the Warsaw Stock Exchange and a majority-owned subsidiary of Perma-Fix Environmental Services, Inc. (NASDAQ: PESI), Mr. Molchan was appointed to the Supervisory Board of Perma-Fix Medical in December 2015. From February 2013 to July 2013, Mr. Molchan held the position of President of the Company. He was previously President, Digirad Imaging Solutions, Inc. from January 2012 to June 2013. Prior to that, he was Chief Operating Officer of Digirad Ultrascan Solutions from May 2007 to January 2012. He joined Digirad Ultrascan Solutions upon the acquisition of Ultrascan, Inc. ("Ultrascan") by us in May 2007. Prior to joining us, Mr. Molchan was the Chief Financial Officer for Ultrascan since he joined in 2003. Prior to Ultrascan, Mr. Molchan held various executive level business development, finance and operations positions at Somera, Inc. and Equifax, Inc. Mr. Molchan earned a B.S. degree in Economics from the United States Air Force Academy and an M.B.A. in finance from the University of Southern California.

David J. Noble became Chief Operating Officer of the Company on September 1, 2018 when he was hired to assist with the transformation of the Company from a healthcare company into a diversified, multi-industry holding company. The Chief Financial Officer title was added to his responsibilities on July 3, 2019 after he served as Interim Chief Financial Officer beginning January 15, 2019. Prior to joining the Company, Mr. Noble briefly served as Managing Member of Noble Point LLC, a business and financial advisory firm, from October 2017 to August 2018. For more than a decade, from July 2005 to September 2017, Mr. Noble was a senior investment banker at HSBC, serving as Managing Director & Head of HSBC's Equity Capital Markets business in the Americas. Prior to joining HSBC, Mr. Noble held various senior roles within Equity Capital Markets at Lehman Brothers, both in the U.S. and overseas, from August 1997 to July 2005. In his 20-year career as an investment banker, Mr. Noble was involved in hundreds of equity transactions in many countries across a wide range of sectors, including healthcare, industrials, financial services, media, technology, and energy, among others. Mr. Noble earned a B.A. degree from Yale University in 1992 and an M.B.A. in Finance from MIT's Sloan School of Management in 1997.

Martin B. Shirley became President, Digirad Imaging Solutions in January 2016. Previously, Mr. Shirley was Senior Vice President, Sales and Marketing, Digirad Imaging Solutions from January 2012 to January 2016; Vice President of Sales and Operations for Digirad Imaging Solutions from June 2010 to January 2012; and Vice President of Sales for Digirad Imaging Solutions from January 2008 to June 2010. Prior to this, he served in a variety of roles during his tenure with the Company, including National, Regional and Territory Sales Management positions in both the Digirad Imaging Solutions division and the Diagnostic Imaging division. Prior to joining the Company, Mr. Shirley has held various roles in medical imaging, including regional and territory sales positions at SMV America, a manufacturer of nuclear medicine equipment that was purchased by General Electric, and with Sopha Medical Systems. He holds an A.A. degree in both Nuclear Medicine Technology and an A.A. degree in Liberal Arts.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act, requires the Company's directors, executive officers, and holders of more than 10% of its common stock to file with the SEC reports regarding their ownership and changes in ownership of Digirad's securities. Based solely on our review of such reports or written representations from certain reporting persons, we believe that, during the fiscal year ended December 31, 2020 ("Fiscal 2020"), our officers, directors and 10% stockholders complied with all applicable Section 16(a) filing requirements applicable to such individuals, other than the inadvertent late filing of one Form 4 for Martin B. Shirley relating to three of nine reported transactions and one Form 4 for Matthew G. Molchan relating to three of nine reported transactions.

Code of Business Ethics and Conduct

We have established a Code of Business Ethics and Conduct (the "Ethics Code") that applies to all our officers, directors, employees, and contractors. The Ethics Code contains general guidelines for conducting our business consistent with the highest standards of business ethics and compliance with applicable law, and is intended to qualify as a "code of ethics" within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and Item 406 of Regulation S-K. Day-to-day compliance with the Ethics Code is overseen by the Company compliance officer appointed by our Board of Directors. A copy of the Ethics Code can be found by clicking on the "Corporate Governance" link under the Investors tab on our website at http://www.starequity.com/home. If we make any substantive amendments to the Ethics Code or grant any waiver from a provision of the Code to any director or executive officer, we will promptly disclose the nature of the amendment or waiver on the Corporate Governance on our website. The contents of our website are not part of this Amended Report, and our internet address is included in this document as an inactive textual reference only.

Director Nominations

During Fiscal 2020, we made no material changes to the procedures by which stockholders may recommend nominees to our Board of Directors, as described in our most recent proxy statement.

Audit Committee

The Board has a separately designated Audit Committee of the Board of Directors (the "Audit Committee") established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee consists of Messrs. Quain, Cunnion, and Sayward, with Mr. Sayward serving as chairman. All members of the Audit Committee are independent directors (as independence is defined in Rule 5605(a)(2) of the NASDAQ listing rules) and meet the criteria for independence set forth in Rule 10A-3(b)(1) under the Exchange Act. No member of the Audit Committee has participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years, and all members of the Audit Committee are able to read and understand fundamental financial statements.

Mr. Sayward qualifies as an "audit committee financial expert" as defined in the rules and regulations established by the Securities and Exchange Commission. The Audit Committee is governed by a written charter (the "Audit Committee Charter") approved by our Board of Directors. A copy of the Audit Committee Charter can be found by clicking on the "Corporate Governance" link under the Investors tab on our website at https://www.starequity.com/investor-relations. Prior to his resignation on April 6, 2020, Mr. Climaco was a member of the Audit Committee and met the criteria for independence as set forth in the applicable Nasdaq rules and Rule 10A-3(b)(1) under the Exchange Act. Mr. Cunnion was appointed to the Audit Committee following Mr. Climaco's resignation.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table provides information regarding the compensation earned during the fiscal years ended December 31, 2020 and 2019 by our principal executive officer and our two other most highly compensated executive officers (the "named executive officers") who were serving as executive officers as of December 31, 2020.

Name and Principal Position	Year	Salary ($) (1)	Bonus ($) (2)	Stock Awards ($) (3)	Nonequity Incentive Plan Compensation ($)(4)	All Other Compensation ($) (5)	Total ($)
Matthew G. Molchan	2020	405,619	—	—	—	3,500	409,119
President, Chief Executive Officer of Digirad Health*	2019	416,797	—	103,800	285,662	3,500	809,759
David J. Noble	2020	293,077	150,000	—	—	3,500	446,577
Chief Financial Officer and Chief Operating Officer	2019	301,154	—	200,000	191,114	3,500	695,768
Martin B. Shirley	2020	254,000	65,000	—	—	3,500	322,500
President, Diagnostic Imaging Solutions	2019	261,000	—	65,000	165,632	1,303	492,935

*Mr. Molchan resigned from his positions as President and Chief Executive Officer of the Company effective January 1, 2021, and assumed the additional position of Chief Executive Officer of Digirad Health Inc. effective that same day. Effective January 1, 2021, Mr. Eberwein assumed the position of Executive Chairman of the Board and as such became the Company's principal executive officer.

(1) The base salary for each executive is initially established through negotiation at the time the executive is hired, taking into account his or her scope of responsibilities, qualifications, experience, prior salary, and competitive salary information within our industry. Year-to-year adjustments to each executive officer's base salary are determined by an assessment of his or her sustained performance against individual goals, including leadership skills and the achievement of high ethical standards, the individual's impact on our business and financial results, current salary in relation to the salary range designated for the job, experience, demonstrated potential for advancement, and an assessment against base salaries paid to executives for comparable jobs in the marketplace. Based on the factors discussed above, 2020 base salaries were: Mr. Molchan's 2020 base salary was initially set at $415,200 from his last adjustment in February 2017, with a 20% reduction from April 6, 2020 to May 15, 2020, the total for 2020 was $405,619; Mr. Shirley's 2020 base salary was initially set at $260,000 from his last adjustment in February 2017, with a 20% reduction from April 6, 2020 to May 15, 2020, the total for 2020 was $254,000; Mr. Noble's 2020 base salary was set at $300,000, which represented no change from his 2018 base salary; with a 20% reduction from April 6, 2020 to May 15, 2020, the total for 2020 was $293,077. The differences between base and actual salary are due to pay period timing differences at year end.

(2) The 2020 Executive Incentive Plan for fiscal year ended December 31, 2020 (the "2020 Annual Plan"), which provides for discretionary bonuses, is described below in the Narrative Disclosure to Summary Compensation Table.

(3) Represents full fair value at grant date of restricted stock units ("RSUs"), including the PSUs described below, representing the right to receive, at settlement, common stock of the Company, granted to our named executive officers, computed in accordance with FASB ASC Topic 718, *Stock Compensation*. The full grant date fair value of an equity award is the maximum value that may be received over the vesting period if all vesting conditions are satisfied, as discussed further below. Thus, there is no assurance that the value, if any, eventually received by our executive officers will correspond to the amount shown. For information regarding assumptions made in connection with this valuation, please see Note 13. *Share-Based Compensation* to our accompanying consolidated financial statements.

(4) Represents the stock awards granted in 2019 as part of the Company's executive incentive plan for that year (described below), were RSUs with performance conditions (PSUs), which vest ratably over two years subject to continued employment and achievement of the performance conditions for 2019 as determined by the Compensation Committee. No stock awards with performance conditions were granted in 2020 as part of the Company's executive incentive plan for that year. The performance conditions for the 2019 PSUs were achieved at 100% of the Board approved budgeted EBITDA, excluding certain predetermined items, for the year ended December 31, 2019 and 2020, and the 2019 PSUs vested accordingly. The performance metrics for the 2019 performance period, and a grant date fair value for those tranches of the awards, were established by the Board and Compensation Committee on April 30, 2019. As of the grant date, the Company believed that it was probable that the performance criteria would be met and that each individual would remain employed through the date the grant would become fully vested by its terms, and accordingly, the full value of the awards as of the grant date has been included in the table above in accordance with FASB ASC 718. The performance conditions for 2019 were met. As such, the grant date fair values of the 2019 PSU awards were $0.1 million, and $0.07 million for Mr. Molchan and Mr. Shirley, respectively. The amount of PSUs vests in 2020 totaled 11,580 units. The RSU grant to Mr. Noble was made according to the terms of the Noble Employment Agreement (described below). The Company did not grant any stock awards to its named executive officers in 2020.

(5) Represents amounts earned under the Executive Incentive Plans of the Company with performance targets.

(6) Amounts shown for 2020 and 2019 include up to $2,500 matching contributions to the officers' 401(k) retirement plans and up to $1,000 seed contribution to the executive's Health Saving Account plans.

Narrative Disclosure to Summary Compensation Table.

Base Salary. The base salary for each executive is initially established through negotiation at the time the executive is hired, taking into account his or her scope of responsibilities, qualifications, experience, prior salary, and competitive salary information within the industry. Year-to-year adjustments to each executive officer's base salary are determined by an assessment of his or her sustained performance against individual goals, including leadership skills and the achievement of high ethical standards, the individual's impact on the Company's business and financial results, current salary in relation to the salary range designated for the job, experience, demonstrated potential for advancement, and an assessment against base salaries paid to executives for comparable jobs in the marketplace.

When determining the base salary component of executive compensation for 2020, the Compensation Committee considered the achievements of the executives in 2019 based on actual financial performance of the business and achievement of the goals set by the Board of Directors for the individual executive, the fiscal 2020 budget and financial performance expectations, the totality of all compensation components. After due consideration, the Compensation Committee set compensation as reflected in the Summary Compensation Table above.

Annual Incentive Bonus. Payments under the Company's executive bonus plan are based on achieving clearly defined, short-term goals, with the 2020 Annual Plan (described below) being the exception because it only provided for discretionary bonuses. We believe that such bonuses provide incentive to achieve goals that the Company aligns with its stockholders' interests by measuring the achievement of these goals, whenever possible, in terms of revenue, income or other financial objectives. In setting bonus levels, the Company reviews its annual business plan and financial performance objectives. After estimating the likely financial results of the business plan as submitted by management and approved by the Board of Directors, the Company sets financial threshold goals based on those estimated results primarily in terms of EBITDA. The Company sets the minimum performance thresholds that must be reached before any bonus is paid at levels that will take significant effort and skill to achieve. An executive officer's failure to meet some or all of these personal goals can affect his or her bonus amount. The Company believes that offering significant potential income in the form of bonuses allows the Company to attract and retain executives and to align their interests with those of the Company's stockholders.

Fiscal Year 2020.

Due to the unprecedented and unpredictable nature of the COVID-19 pandemic, the Company's executive team was pushed to new limits and was compelled to be creative, flexible, thoughtful, proactive and diligent in implementing decisions regarding the best way to meet the needs and expectations of our customers, our employees and our vendors, and our traditional bonus measures did not encompass or reward the effort being put forth during the pandemic. As a result, the 2020 Annual Plan was made 100% discretionary and based on subjective objectives to be determined by the Board. The actual cash bonuses payable (if any) for the achievement of such objectives was determined by the Compensation Committee.

The cash bonus amounts under the 2020 Annual Plan were as follows.

Name and Principal Position*	Percentage of Base Salary	Bonus Payout
David J. Noble, Chief Financial Officer and Chief Operating Officer	50 %	$ 150,000
Martin B. Shirley, President, Digirad Imaging Solutions	25 %	$ 65,000

*Mr. Molchan did not receive a discretionary cash bonus under the 2020 Annual Plan.

Equity Grants

The Company did not grant any stock awards to its named executive officers in 2020.

In connection with the adoption of the 2019 Executive Incentive Plan for fiscal year ended December 31, 2019 (the "2019 Annual Plan"), the Compensation Committee determined that, as part of a long-term retention mechanism and to incentivize the executive officers to increase the Company's shareholder value, the following RSUs were awarded effective on May 15, 2019 (the "2019 Grant Date"), to Messrs. Molchan, Noble, and Shirley.

The RSUs granted to Messrs. Molchan and Shirley vest over two years in two equal installments, with each such installment vesting on each anniversary of the 2019 Grant Date, subject to satisfaction of certain 2019 performance criteria objectives. Each RSU grant to Messrs. Molchan and Shirley was made pursuant to and subject to the terms of the 2019 Annual Plan, the Company's 2018 Incentive Plan, and the respective award agreement that sets forth the terms of the grant.

The RSU grant to Mr. Noble was made according to the terms of the Noble Employment Agreement (described below) and under the Company's 2018 Incentive Plan. Mr. Noble's RSU grant vests in three equal tranches. Mr. Noble did not receive an equity grants under the 2019 Annual Plan.

Name and Principal Position	Cash Value of the Restricted Stock Units Granted
Matthew G. Molchan, President and Chief Executive Officer of Digirad Health	$ 103,800
David J. Noble, Chief Financial Officer and Chief Operating Officer	200,000
Martin B. Shirley, President, Digirad Imaging Solutions	65,000

Other Compensation

The Company currently maintains benefits for executive officers, that include medical, dental, vision and life insurance coverage and the ability to contribute to a 401(k) retirement plan; however, the Compensation Committee in its discretion may revise, amend or add to the officer's executive benefits if it deems it advisable. The benefits currently available to the executive officers are also available to other employees.

Outstanding Equity Awards at Fiscal Year-End

The following table presents the outstanding equity awards held by each of the named executive officers as of the fiscal year ended December 31, 2020, including the value of the stock awards.

			Option Awards				Stock Awards	
Name	Grant Date		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Matthew G. Molchan	5/15/2019	(5)	—	—	—	—	7,120	25,561
	2/28/2018	(4)	—	—	—	—	2,655	9,531
	2/28/2017	(3)	—	—	—	—	1,049	3,766
	2/1/2016	(2)	4,131	—	51.20	02/01/2026	—	—
	1/29/2014	(1)	11,000	—	35.50	01/29/2021	—	—
David J. Noble	05/15/2019	(6)	—	—	—	—	9,146	32,834
Martin B. Shirley	5/15/2019	(5)	—	—	—	—	4,459	16,008
	2/28/2018	(4)	—	—	—	—	700	2,513
	2/28/2017	(3)	—	—	—	—	277	994
	2/1/2016	(2)	906	—	51.20	02/01/2026	—	—
	1/29/2014	(1)	4,000	—	35.50	01/29/2021	—	—

(1) 33 1/3% of the total number of shares subject to option vested on the first anniversary of the grant date, and the remaining shares vested quarterly over 24 months.

(2) Scheduled to vest as to 25% of the units on each of February 1, 2017, February 1, 2018, February 1, 2019, and February 1, 2020, with vesting of 50% of each such Restricted Stock Unit tranche to be further subject to the satisfaction of certain performance criteria to be determined and approved by the Compensation Committee with respect to each such period. These units are shown net of 50% of the performance-based units that were deemed not to be earned and were canceled as of December 31, 2018.

(3) 25% of the units vested on each of February 28, 2018, February 28, 2019, February 28, 2020 and February 28, 2021.

(4) 25% of the units vested on each of February 1, 2019, February 1, 2020 and February 1, 2021, with the remaining shares to February 1, 2022.

(5) 50% of the Restricted Stock Units vested on May 15, 2020 with the remaining shares to vest 50% on May 15, 2021, with vesting of 50% of each such Restricted Stock Unit tranche subject to the satisfaction of certain performance criteria to be determined and approved by the Compensation Committee with respect to each such period.

(6) 66 2/3% of the units were vested as of May 15, 2020, with the remaining one third tranche of 33 1/3% of the units to vest on May 15, 2021.

Potential Payments Upon Termination or Change of Control

Matthew G. Molchan

On May 1, 2007, the Company entered into an employment agreement with Mr. Molchan, which agreement was amended on September 30, 2010 (as amended, the "Molchan Employment Agreement").

Pursuant to the Molchan Employment Agreement, Mr. Molchan can be terminated for "cause" or without "cause." Under the Molchan Employment Agreement, termination for "cause" generally means the termination of Mr. Molchan's employment by reason of: (i) willful misconduct or gross negligence in the performance of duties in the employment agreement; (ii) willful failure or refusal to perform in the usual manner at the usual time those duties which he regularly and routinely performs in connection with the Company's business or such other duties reasonably related to the capacity in which he is employed which may be assigned to him if such failure or refusal has not been substantially cured; (iii) performance of any material action when specifically and reasonably instructed not to do; (iv) engaging or in any manner participating in any activity which is directly competitive with or intentionally injurious to the Company; (v) commission of any fraud, or unauthorized use or appropriation for his personal use or benefit of any funds, properties or opportunities of the Company; (vii) willful or grossly negligent violation of the Code of Ethics of the Company. Termination without "cause" means the termination of Mr. Molchan's employment without "cause" at any time without liability for any reason not specified as a termination for "cause" upon not less than thirty (30) days written notice to Mr. Molchan.

Accordingly, if Mr. Molchan is terminated for "cause" before the last day of any calendar month, he would be entitled to receive compensation for such calendar month at his then current salary prorated to the date of termination on the basis of a 30-day calendar month. He would not be entitled to receive any severance payment. If Mr. Molchan is terminated without "cause," he would be entitled to receive (i) his then current salary and the prorated amount of any accrued but unpaid performance bonus up to and including the date of termination, and (ii) a severance payment equal to six months of his then current salary.

If Mr. Molchan's employment was terminated without "cause" as of December 31, 2020, Mr. Molchan would be entitled to receive $290,640.

Equity awards that would have vested upon termination or change of control at December 31, 2020, are described below under the heading "Equity Awards."

David J. Noble

On October 31, 2018, the Company entered into an employment agreement with David J. Noble (the "Noble Employment Agreement").

Pursuant to the Noble Employment Agreement, Mr. Noble can be terminated for "cause," upon death, upon disability and without "cause." Under the Noble Employment Agreement, termination for "cause" generally means the termination of Mr. Noble's employment by reason of: (A) the willful failure of Mr. Noble to perform his duties and obligations in any material respect (other than any failure resulting from his disability), (B) intentional acts of dishonesty or willful misconduct by Mr. Noble with respect to the Company, (C) arrest or conviction of a felony or violation of any law involving dishonesty, disloyalty, moral turpitude, or fraud, or entry of a plea of guilty or nolo contendere to such charge, (D) Mr. Noble's commission at any time of any act of fraud, embezzlement or willful misappropriation of material Company property, (E) repeated refusal to perform the reasonable and legal instructions of the Board, (F) willful and material breach of his obligations under any material agreement entered into between Mr. Noble and the Company or any of its affiliates, or willful and material breach of the Company's polices or procedures which causes material damage to the Company, its business or reputation, provided that for subsections (A), (E), and (F), if the breach reasonably may be cured, Mr. Noble has been given at least thirty (30) days after his receipt of written notice of such breach from the Company to cure such breach. Termination without "cause" means termination for any reason other than death, disability, for "cause," or for no reason at all, upon sixty (60) days' written notice.

The Noble Employment Agreement provides for termination of Mr. Noble's employment upon his election by voluntary resignation or termination for good reason. Termination by voluntary resignation means Mr. Noble can terminate his employment with the Company at any time and for any reason whatsoever or for no reason at all in his sole discretion upon giving sixty (60) days' written notice. A termination for good reason means Mr. Noble can terminate his employment with the Company pursuant to the occurrence of any of the following events: (i) any material diminution in his authority, duties and responsibilities, (ii) any material reduction of his base salary, aggregate incentive compensation opportunities or aggregate benefits, unless such changes are applied to all members of the Company's leadership team and amount to less than a 10% reduction in total, or (iii) a material breach by the Company of the Noble Employment Agreement. In addition, either the Company or Mr. Noble can deliver to the other party a written notice of non-renewal at least sixty (60) days prior to the applicable renewal date of the Noble Employment Agreement.

In the event Mr. Noble voluntarily resigns, is terminated for "cause," is terminated upon death, or is terminated upon disability, he would be entitled to receive: (i) his then current salary accrued up to and including the date of termination or resignation, (ii) unreimbursed expenses, and (iii) any vested payment or accrued benefits under any equity or Company benefit plan (the "Accrued Obligations"). In March 2021, Mr. Noble agreed by letter that all future RSU awards under the Noble Employment Agreement would vest one-third on each of the first, second and third anniversaries of the grant date.

In the event Mr. Noble terminates his employment for good reason, his employment is terminated without "cause," or his employment is terminated by delivery of a non-renewal notice by the Company, he would be entitled to receive: (i) the Accrued Obligations (described above), (ii) a target bonus based on the target bonus metrics used to determine actual performance at the end of the fiscal year, but prorated to reflect the number of full months worked during the fiscal year, (iii) immediate vesting of any RSUs awarded under the Noble Employment Agreement for which the performance period has not been completed as of the date of termination based on the level of achievement of the performance goals at the end of the performance period, but pro-rated based on the number of full months worked during the performance period, and (iv) immediate vesting of any RSUs awarded under the Noble Employment Agreement which are outstanding as of the date of termination. Notwithstanding the foregoing, if within twelve (12) months following a change of control (as defined in the Noble Employment Agreement), the Company terminates Mr. Noble's employment without "cause," he resigns from his employment with good reason, or his employment terminates due to Company's delivery of a non-renewal notice, then the bonus payment under (ii) above shall equal the equivalent of his target bonus without proration and, in addition to (iii) and (iv) above, he shall receive (v) twelve months of his then-current base salary.

If Mr. Noble's employment was terminated without "cause" as of December 31, 2020, he would have been entitled to receive: (i) a cash payment in the amount of $4,615, (ii) and immediate vesting of equity awards described below under the heading "Equity Awards."

If Mr. Noble's employment was terminated in connection with a change of control as of December 31, 2020, he would have been entitled to receive: (i) a cash payment in the amount of $300,000, (ii) and immediate vesting of equity awards described below under the heading "Equity Awards."

Martin B. Shirley

On January 28, 2014, the Company entered into a severance agreement with Martin B. Shirley (the "Shirley Severance Agreement"). In the event his employment with the Company is terminated without "cause" (as defined below), he would receive a severance payment in an amount equal to six months of his base salary as in effect immediately prior to his termination date. In the event Mr. Shirley's employment with the Company is terminated for "cause" or if he voluntarily terminates his employment with the Company, he will not be entitled to receive a severance payment. Assuming that Mr. Shirley's employment was terminated without "cause" as of December 31, 2020, he would have been entitled to receive severance payments of $130,000.

Under the Shirley Severance Agreement, "cause" generally includes the occurrence of any of the following events: (i) the willful and deliberate failure to perform assigned duties or responsibilities to the Company or the lawful directions of his supervisor after notice from the Company describing his failure to perform such duties or responsibilities and a reasonable time to cure such failure; (ii) engaging in any act of dishonesty, fraud or misrepresentation in connection with his duties; (iii) a willful act constituting gross misconduct that is materially injurious to the Company; (iv) any act of embezzlement against the Company; (v) the breach of any confidentiality agreement or invention assignment agreement or any other written agreement with the Company; or (vi) his indictment for or conviction of, or entering a plea of *nolo contendere* to, a felony.

Equity awards that would have vested upon termination or change of control at December 31, 2020, are described below under the heading "Equity Awards."

Equity Awards

The equity agreements of our named executive officers provide that, in case of a change of control of the Company, all equity instruments then outstanding but neither assumed nor replaced by the successor entity shall vest immediately upon the change of control event. Further, if an executive's employment is terminated without cause within twelve (12) months of the change of control, all equity instruments then outstanding, either assumed or replaced, shall become fully vested at the time of termination. As of December 31, 2020, the value of the equity instruments of our named executive officers that would accelerate upon (i) termination without cause within twelve (12) months of a change of control in which stock options and restricted stock units are assumed or replaced by the successor entity, or (ii) a change of control in which the outstanding stock options and restricted stock units are neither assumed or replaced by the successor entity, would be as follows based on the difference between the closing price on the last trading day of the year of $3.59 per share and the exercise price of the respective options, and with regard to restricted stock units, based solely on the closing price on the last trading day of the year of $3.59:

Name	Option Value as of December 31, 2020	Stock Award Value as of December 31, 2020
Matthew G. Molchan	$ —	$ 38,858
David J. Noble	—	32,834
Martin B. Shirley	—	19,515

COMPENSATION OF DIRECTORS

Annual Retainer

Non-employee members of our Board of Directors are paid an annual retainer for their service, with additional compensation for being the chairperson of the Board, serving on a committee of the Board of Directors and chairing a committee of the Board of Directors. Payments are made quarterly.

The compensation paid to the members of the Board of Directors is indicated in the chart below:

2020 Director Cash Compensation

(1) Director Annual Retainer (all)	$ 36,000
Additional Annual Retainer to Chairperson	$ 15,000
Additional Annual Retainer to Audit Committee Chairperson	$ 14,500
Additional Annual Retainer to Compensation Committee Chairperson	$ 5,000
Additional Annual Retainer to Corporate Governance Committee Chairperson	$ 5,000
(2) Additional Annual Retainer to Strategic Advisory Committee Chairperson	$ 5,000
Additional Annual Retainer to Audit Committee Member	$ 4,000
Additional Annual Retainer to Compensation Committee Member	$ 4,000
Additional Annual Retainer to Corporate Governance Committee Member	$ 4,000
(2) Additional Annual Retainer to Strategic Advisory Committee Member	$ 4,000

(1) In April 2020, the Board of Directors elected to receive, all future payments of annual retainer amounts in Company RSUs in lieu of cash, the "Retainer Awards". All other committee payments, committee chairmanship fees and Board chairmanship fees continue to be paid in cash for the remainder of 2020. In March 2021, the Compensation Committee of the Board elected that all directors receive all committee related compensation in the form RSUs, unless the director makes a timely one-time election to receive cash for the applicable year.

(2) The Strategic Advisory Committee was dissolved in April 2020.

For the sake of clarity, in fiscal year ended December 31, 2020, each of the Audit Committee, the Compensation Committee, the Corporate Governance Committee, and the Strategic Advisory Committee chairpersons only received an amount equal to the chairperson fee set forth in the table above and not the chairperson fee plus the member fee.

The single employee director of our Board of Directors, Mr. Molchan, the President and Chief Executive Officer of Digirad Health and our former President and Chief Executive Officer, does not receive additional compensation for his service on our Board of Directors.

Equity Compensation

Equity compensation awards, and the amount of such awards, to non-employee members of our Board are at the discretion of the Compensation Committee of our Board. Historically, such awards have been in the form of RSUs and the Compensation Committee generally set the amount of those awards at a fair market value equal to the annual cash retainer received by non-employee members of our Board. In April, 2020, the Compensation Committee approved the Board's transition from quarterly cash retainer payments to quarterly equity awards for non-employee directors. In August, 2020, the Compensation Committee approved increasing the annual grant from 1,250 RSUs to 12,000 RSUs, with cliff vesting of one year from Grant Date, subject to the recipient continuing to be a service provider through vesting date and subject to Board approval of such grant. We believe that equity compensation helps to further align the interests of our directors with those of our stockholders because the value of directors' share ownership will rise and fall with that of our other stockholders. In March 2021, the Compensation Committee of the Board elected to end the separate annual equity awards described above and to instead increase the size of the Retainer Awards to quarterly awards of RSUs having a fair market value (as defined in the 2018 Plan) of $18,000 each.

Director Compensation Table

The following table sets forth summary information concerning compensation paid or accrued for services rendered to us in all capacities to the non-employee members of our Board of Directors for the fiscal year ended December 31, 2020.

	Fees Paid in Cash ($)	Stock Awards $ (5)	All Other Compensation ($)	Total ($)
Jeffrey E. Eberwein	$ 27,333	$ 60,718	—	$ 88,051
Dimitrios J. Angelis (1)	17,250	9,000	—	26,250
John M. Climaco (2)	11,250	—	—	11,250
Michael A. Cunnion (3)	19,667	60,718	—	80,385
John W. Sayward (4)	29,167	60,718	—	89,885
Mitchell I. Quain	20,083	60,718	—	80,801

(1) Mr. Angelis did not standing for re-election to the Board of Directors at the Annual Meeting of Stockholders held on July 31, 2020 (the "2020 Annual Meeting"), and ceased to be a member of the Board on such date.

(2) On April 6, 2020, Mr. Climaco resigned from the Board of Directors of the Company and all committees of the Board of Directors effective as of such date.

(3) Mr. Cunnion holds, in addition to the stock awards noted in the table, outstanding options to purchase an aggregate of 8,000 shares of our common stock at December 31, 2020.

(4) Mr. Sayward holds, in addition to the stock awards noted in the table, outstanding options to purchase an aggregate of 6,000 shares of our common stock at December 31, 2020.

(5) Represents full fair value at grant date of restricted stock units granted to our directors, computed in accordance with FASB ASC Topic 718.

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

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information as of February 22, 2021 regarding the beneficial ownership of our common stock by (i) each person we know to be the beneficial owner of 5% or more of our common stock, (ii) each of our current executive officers, (iii) each of our directors, and (iv) all of our current executive officers and directors as a group. Information with respect to beneficial ownership has been furnished by each director, executive officer or 5% or more stockholder, as the case may be. The address for all executive officers and directors is c/o Star Equity Holdings, Inc., 53 Forest Avenue Suite 101, Old Greenwich, CT 06870.

Percentage of beneficial ownership is calculated based on 4,922,027 shares of common stock outstanding as of February 22, 2021. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission which generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities and includes shares of our common stock issuable pursuant to the exercise of stock options, warrants or other securities that are immediately exercisable or convertible or exercisable or convertible within 60 days of February 22, 2021. Unless otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Shares Beneficially Owned
5% Stockholders:		
None		
Named Executive Officers and Directors:		
Jeffrey E. Eberwein (1)	179,213	3.64%
Matthew G. Molchan (2)	46,242	*
John W. Sayward (3)	26,699	*
Michael A. Cunnion (4)	26,797	*
Mitchell I. Quain (5)	59,528	1.21%
David J. Noble (6)	60,478	1.23%
Marty B. Shirley (7)	11,802	*
All Executive Officers and Directors as a group (7 persons)(8)	410,759	8.21%

* Indicates beneficial ownership of less than 1% of the outstanding common stock

(1) Includes (a) 157,213 shares of common stock held by Mr. Eberwein, and (b) 22,000 shares of common stock underlying the warrants exercisable within 60 days of February 22, 2021.

(2) Includes (a) 15,131 shares of common stock subject to options exercisable within 60 days of February 22, 2021, (b) 2,376 RSUs vesting within 60 days of February 22, 2021, (c) 27,735 shares of common stock held by Mr. Molchan, and (d) 1,000 shares of common stock underlying the warrants exercisable within 60 days of February 22, 2021.

(3) Includes (a) 6,000 shares of common stock subject to options exercisable within 60 days of February 22, 2021 and (b) 20,699 shares of common stock held by Mr. Sayward.

(4) Includes (a) 8,000 shares of common stock subject to options exercisable within 60 days of February 22, 2021, (b) 16,297 shares of common stock held by Mr. Cunnion, (c) 2,500 shares of common stock underlying the warrants exercisable within 60 days of February 22, 2021.

(5) Includes (a) 11,000 shares of common stock underlying the warrants exercisable within 60 days of February 22, 2021, and (b) 48,528 shares of common stock held by Mr. Quain.

(6) Includes (a) 50,478 shares of common stock held by Mr. Noble and (b) 10,000 shares underlying warrants exercisable within 60 days of February 22, 2021.

(7) Includes (a) 4,906 shares of common stock subject to options exercisable within 60 days of February 22, 2021, (b) 626 RSUs vesting within 60 days of February 22, 2021, and (c) 6,270 shares of common stock held by Mr. Shirley.

(8) Includes (a) 34,037 shares of common stock subject to options exercisable within 60 days of February 22, 2021, (b) 3,002 RSUs vesting within 60 days of February 22, 2021, and (c) 327,220 shares of common stock held by our 7 executive officers and directors.

Securities Authorized for Issuance Under Equity Compensation Plans

	Equity Compensation Plan Information As of December 31, 2020		
Plan Category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights** (a)	**Weighted average exercise price of outstanding options, warrants, and rights** (b) (2)	**Number of securities remaining available for future issuance under equity compensation plans (excluding shares reflected in column (a))** (c)
Equity compensation plans approved by security holders	116,013 (1)	$ 20.93	368,334 (3)
Equity compensation plans not approved by security holders	—	—	—
Total	116,013	$ 20.93	368,334

(1) This amount includes the following:

- 35,371 shares issuable upon the exercise of outstanding stock options under the Company's 2004 Stock Incentive 7 Year Plan, the 2004 Stock Incentive Plan, and the 2014 Equity Incentive Award Plan (the "2014 Incentive Plan"), with a weighted-average exercise price of $36.83.
- 47,317 RSUs granted under the 2014 Incentive Plan and 2018 Incentive Plan.
- 33,325 PSUs granted under the 2018 Incentive Plan. Outstanding performance-based PSUs met the target in 2019.

(2) The 2014 Incentive Plan and 2018 Incentive Plan RSUs and PSUs have been excluded from the computation of the weighted-average exercise price since these awards have no exercise price.

(3) This amount represents the number of shares available for issuance pursuant to stock options and other awards that could be granted in the future under the 2018 Incentive Plan, as amended July 31, 2020 in order to increase the number of shares authorized for issuance thereunder. The 2018 Incentive Plan allows for issuance of up to the sum of (i) 450,000 shares, plus (ii) the number of shares of common stock of the Company which remain available for grants of options or other awards under the 2014 Incentive Plan as of April 27, 2018, plus (iii) the number of shares that, after April 27, 2018, would again become available for issuance pursuant to the reserved share replenishment provisions of the 2014 Incentive Plan as a result of, stock options issued thereunder expiring or becoming unexercisable for any reason before being exercised in full, or, as a result of restricted stock being forfeited to the Company or repurchased by the Company pursuant to the terms of the agreements governing such shares (the shares described in clauses (ii) and (iii) of this sentence, the "Carryover Shares"). As of December 31, 2020, there were 59,620 Carryover Shares.

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

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 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.

Eberwein 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.

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 December 31, 2020, Mr. Eberwein owned approximately 3.3% of the outstanding Star Equity common stock. In addition, as of December 31, 2020, 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. The Private Placement was made pursuant to the terms of a Stock Purchase Agreement, dated as of September 10, 2019. The shares of Company Preferred Stock sold in the Private Placement have not been registered under the Securities Act of 1933, as amended (the "Act"), and may not be resold absent registration under, or exemption from registration under, the Act.

At the closing of the Private Placement, the Company and LSVI entered into a Registration Rights Agreement, dated as of September 10, 2019 (the "Registration Rights Agreement"), pursuant to which Digirad agreed to file a registration statement with the SEC, covering the resale of the shares of Company Preferred Stock issued in the Private Placement, if and upon the written request of the Private Placement investors at any time on or before September 10, 2021.

On September 17, 2020, in connection with satisfying the Company's obligations under the Registration Rights Agreement, the Company filed a registration statement with the SEC (the "September Registration Statement") relating to the sale or other disposition from time to time of up to 1,492,321 shares of Company Preferred Stock by the selling stock holders identified in the September Registration Statement, including their transferees, pledgees, donees or successors. Jeffrey E. Eberwein, the Executive Chairman of the Company's board of directors, is a selling stockholder under the September Registration Statement. The selling stockholders may, from time to time, sell transfer, or otherwise dispose of any or all of their shares of Company Preferred Stock or interests in shares of Company Preferred Stock on any stock exchange, market, or trading facility on which the shares are traded or in private transactions. These dispositions by the selling stockholders may be at fixed prices, at prevailing market prices at the time of sale, at prices related to prevailing market price, at varying prices determined at the time of sale, or at negotiated prices.

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 (the "Issuance Option"). In March 2020, Mr. Eberwein extended the put option agreement through June 30, 2021.

ATRM Notes Payable

ATRM has the following related party promissory notes (the "ATRM Notes") outstanding:

(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 extends the maturity date of 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 extends the maturity date of 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 extends the maturity date of 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.

Subordination Agreement

LSVM and LSV Co-Invest I are party 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.

Acquisition of LSVM

On April 1, 2019, ATRM entered into a Membership Interest Purchase Agreement (the "LSVM Purchase Agreement") with LSVM and Mr. Eberwein. Pursuant to the terms of the LSVM Purchase Agreement, Mr. Eberwein sold all of the issued and outstanding membership interests of LSVM to ATRM (the "LSVM Acquisition") for a purchase price of $100, subject to a working capital adjustment provision. The LSVM Acquisition closed simultaneously with the execution and delivery of the LSVM Purchase Agreement, and was deemed effective as of January 1, 2019 for accounting purposes, as a result of which LSVM became a wholly-owned subsidiary of ATRM. Pursuant to the LSVM Purchase Agreement, the current assets as well as the $0.3 million promissory note issued by ATRM and current liabilities existing prior to January 1, 2019 remain with Mr. Eberwein. Cash contributions made by Mr. Eberwein subsequent to the ATRM Acquisition also exist as a payment due to Mr. Eberwein by ATRM. The LSVM Purchase Agreement contains representations, warranties, covenants and indemnification provisions customary for transactions of this type. LSVM was acquired by the Company as part of the ATRM Acquisition.

Financial Assistance

On May 1, 2019, the special committee of the Company's board of directors (the "Special Committee") approved financial assistance by the Company to ATRM, in the form of advances or cash payments on behalf of ATRM, in order assist ATRM in becoming current with its financial statements and filings with the SEC. Under the terms of this approval, the Company was authorized to advance or spend up to an aggregate maximum amount of $0.4 million, with subsequent increments of $0.01 million subject to further approval by a designated member of the Special Committee. On July 30, 2019, the Special Committee increased the amount of financial assistance that the Company is authorized to provide to $0.8 million. The Company entered into an agreement with ATRM pursuant to which ATRM agreed to repay all such financial assistance if the ATRM Acquisition did not close.

Joint Venture

On December 14, 2018, the Company and ATRM, entered into a joint venture and formed Star Procurement, LLC ("Star Procurement"), with the Company and ATRM each holding a 50% interest in Star Procurement. The purpose of the joint venture was to provide the service of purchasing and selling building materials and related goods to KBS with which Star Procurement entered into a Services Agreement on January 2, 2019. In accordance with the terms of the Star Procurement Limited Liability Company Agreement, the Company made a $1.0 million capital contribution to the joint venture in January 2019.

As of December 31, 2020, and upon the completion of the ATRM Merger, Star Procurement became wholly owned subsidiary of the Company.

Acquisitions and Leases of Maine Facilities

Through its SRE subsidiary, and prior to the completion of the ATRM Merger, the Company purchased two plants in Maine that manufacture modular buildings from KBS, a wholly-owned subsidiary of ATRM. SRE then leased these properties back to KBS, as further described below.

Waterford

On April 3, 2019, 947 Waterford, a wholly-owned subsidiary of SRE, entered into a Purchase and Sale Agreement (the "Waterford Purchase Agreement") with KBS pursuant to which 947 Waterford closed on the purchase of certain real property and related improvements (including buildings) located in Waterford, Maine (the "Waterford Facility") from KBS, and acquired the Waterford Facility. The purchase price of the Waterford Facility was $1.0 million, subject to adjustment for taxes and other charges and assessments.

KBS subleased the manufacturing building located in Waterford, Maine to North Country Steel Inc., a Maine corporation with an initial 5 year term rental agreement, commenced on September 6, 2019. The rental agreement is structured with a monthly payment arrangement and is accounted for as operating lease.

Paris

On April 3, 2019, 300 Park, a wholly-owned subsidiary of SRE, entered into a Purchase and Sale Agreement (the "Park Purchase Agreement") with KBS, pursuant to which 300 Park closed on the purchase of certain real property and related improvements and personal property (including buildings, machinery and equipment) located in Paris, Maine (the "Park Facility") from KBS, and acquired the Park Facility. The purchase price of the Park Facility was $2.9 million, subject to adjustment for taxes and other charges and assessments.

Lease of Maine Facilities

On April 3, 2019, KBS entered into a separate lease agreement with each of 947 Waterford (the "Waterford Lease") and 300 Park (the "Park Lease"). The Waterford Lease has an initial term of 120 months, which is subject to extension. The base rental payments associated with the initial term under the Waterford Lease were estimated to be between $1.2 million and $1.3 million in the aggregate. The Park Lease had an initial term of 120 months, which is subject to extension. The base rental payments associated with the initial term under the Park Lease are estimated to be between $3.3 million and $3.6 million in the aggregate. ATRM had unconditionally guaranteed the performance of all obligations under the Waterford Lease and Park Lease to be performed by KBS under each lease, including, without limitation, the payment of all required rent.

On March 27, 2019, 56 Mechanic, a wholly-owned subsidiary of SRE, purchased from a third party certain property and equipment located in Oxford, Maine (the "Oxford Facility"). The transaction closed on April 25, 2019. The purchase price of the Oxford Facility was $1.2 million, subject to adjustment for taxes and other charges and assessments. On April 3rd and 18th of 2019, KBS signed a lease and an amendment, respectively, with 56 Mechanic (the "Oxford Lease"), which became effective upon the closing of the transaction. The initial term under the Oxford Lease commenced upon delivery of the Oxford Facility to KBS. The Oxford Lease had an initial term of 120 months, which is subject to extension. The base rental payments associated with the initial term under the Oxford Lease were estimated to be between $1.4 million and $1.5 million in the aggregate. ATRM had unconditionally guaranteed the performance of all obligations under the Oxford Lease to be performed by KBS, including, without limitation, the payment of all required rent.

As of September 10, 2019 and upon the completion of the ATRM Merger, the Waterford Lease, the Park Lease and the Oxford Lease are treated as intercompany transactions and eliminated in consolidation.

Director Independence

The Board has determined that each of Michael Cunnion, John Sayward and Mitchell Quain, a majority of the Board, satisfy the criteria for being an "independent director" under the independence standards of Nasdaq (as currently defined in Rule 5605(a)(2) of the NASDAQ rules) and has no material relationship with the Company other than by virtue of his service on the Board. Dimitrios Angelis, who served on the Board until the 2020 Annual Meeting, and John Climaco, who served on the Board until April 6, 2020, both satisfied the criteria for being an "independent director" under the independence standards of Nasdaq. In determining the independence of our directors, the Board of Directors considered all transactions in which the Company and any director had any interest, including those discussed above. The independent directors meet as often as necessary to fulfill their responsibilities, including meeting at least twice annually in executive session without the presence of non-independent directors and management. A full list of directors is set forth above under "ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE – Our Board of Directors."

The Audit Committee of the Board, established in accordance with Section 3(a)(58)(A) of the Exchange Act, currently consists of Messrs. Quain, Cunnion, and Sayward, with Mr. Sayward serving as chairman. All members of the Audit Committee are independent directors as defined in Rule 5605(a)(2) of the NASDAQ listing rules and Rule 10A-3 under the Exchange Act, and no member of the Audit Committee participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years. Prior to his resignation form the Board of Directors on April 6, 2020, Mr. Climaco served on the Audit Committee and was an independent director as defined in applicable Nasdaq rules and Rule 10A-3. Mr. Cunnion was appointed to the Audit Committee following Mr. Climaco's resignation.

The Compensation Committee currently consists of Messrs. Quain, Sayward and Cunnion, with Mr. Cunnion serving as chairman. All members of the Compensation Committee are independent directors as determined in accordance with the Compensation Committee charter and applicable Nasdaq listing rules (Rule 5605(a)(2) of the NASDAQ listing rules). Prior to the expiration of his term as a director, Mr. Angelis served on the Compensation Committee and was an independent director as determined in accordance with the Compensation Committee charter and applicable Nasdaq listing rules.

The Corporate Governance Committee currently consists of Messrs. Cunnion, Sayward and Quain, with Mr. Quain serving as chairman. All members of the Corporate Governance Committee are independent directors (as defined in Rule 5605(a)(2) of the NASDAQ listing rules). Mr. Eberwein, who served on the Corporate Governance Committee until July 21, 2020, was determined by the Board on April 17, 2020, to no longer be independent under the Nasdaq listing rules. Nasdaq Rule 5605(e)(3) permits one non-independent director to serve on the Corporate Governance Committee for a period of up to two years if the Board of Directors has determined that it is in the best interests of the Company and its shareholders. Our Board of Directors has determined that it is in the best interests of the Company and its shareholders for Mr. Eberwein to serve on the Corporate Governance Committee due to his finance expertise, extensive contacts and longtime experience with the Company. Prior to the expiration of his term as a director, Mr. Angelis served on the Corporate Governance Committee and was an independent director as determined in accordance with the applicable Nasdaq listing rules.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Principal Accounting Fees

In connection with the audit of the 2020 consolidated financial statements, we entered into an engagement agreement with BDO USA, LLP ("BDO") which sets forth the terms by which BDO has performed audit and related professional services for us.

The following table sets forth the aggregate accounting fees paid by us to BDO for the past two fiscal years ended December 31, 2020 and 2019. The below fees were paid to BDO ; no other accounting firm was retained to perform the identified accounting work for us. All non-audit related services in the table were pre-approved and/or ratified by the Audit Committee of our Board of Directors.

Type of Fee	For the years ended December 31 2020	2019
	(in thousands)	
Audit Fees	$ 733	$ 786
Audit Related Fees	—	—
Tax Fees	311	139
All Other Fees	—	—
Totals	$ 1,044	$ 925

Types of Fees Explanation

Audit Fees. Audit fees were incurred for accounting services rendered for the audit of our annual consolidated financial statements and reviews of quarterly consolidated financial statements.

Audit-Related Fees. These fees relate to professional services not included in the Audit Fees category and include professional services related to entering into other advisory services. There were no Audit-Related Fees billed for fiscal years ended December 31, 2020 and 2019.

Tax Fees. These fees were billed to us for professional services relating to tax compliance, tax advice and tax planning.

All Other Fees. There were no other fees billed by BDO for the years 2020 and 2019 for products and services.

Audit Committee Pre-Approval of Services by Independent Registered Public Accounting Firm

The Audit Committee is granted the authority and responsibility under its charter to pre-approve all audit and non-audit services provided to the Company by its independent registered public accounting firm, including specific approval of internal control and tax-related services. In exercising this responsibility, the Audit Committee considers whether the provision of each professional accounting service is compatible with maintaining the audit firm's independence. The committee has delegated this pre-approval authority to the Chairperson of the Audit Committee with ratification by the full Audit Committee at its next scheduled meeting.

Pre-approvals are detailed as to the category or professional service and when appropriate are subject to budgetary limits. Company management and the independent registered public accounting firm periodically report to the Audit Committee regarding the scope and fees for professional services provided under the pre-approval.

With respect to the professional services rendered, the Audit Committee had determined that the rendering of all non-audit services by BDO was compatible with maintaining the auditor's independence and had pre-approved all such services.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report:

1. Financial Statements

The financial statements of Star Equity Holdings, Inc. listed below are set forth in Item 8 of this report for the year ended December 31, 2020:

- Report of Independent Registered Public Accounting Firm
- Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2020 and 2019
- Consolidated Balance Sheets at December 31, 2020 and 2019
- Consolidated Statements of Cash Flows for the years ended December 31, 2020 and 2019
- Consolidated Statements of Mezzanine and Stockholders' Equity for the years ended December 31, 2020 and 2019
- Notes to Consolidated Financial Statements

2. Financial Statement Schedules

All other schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

3. Exhibits required by Item 601 of Regulation S-K

The information required by this Section (a)(3) of Item 15 is set forth on the exhibit index below.

EXHIBIT INDEX

Exhibit Number	Description
1.1	Underwriting Agreement, dated May 26, 2020, between Digirad Corporation and Maxim Group LLC (incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed with the Commission on May 29, 2020).
2.1	Agreement of Merger and Plan of Reorganization, dated March 5, 2015 by and between Digirad Corporation, Maleah Incorporated, MD Office Solutions and the Stockholders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on March 6, 2015). Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby agrees to furnish supplementary copies of any of the omitted schedules or exhibits upon request by the Commission.
2.2	Stock Purchase Agreement dated as of October 13, 2015, by and among Digirad Corporation, Project Rendezvous Holding Corporation, the stockholders of Project Rendezvous Holding Corporation, and Platinum Equity Advisors, LLC as the stockholder representative (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the Commission on January 7, 2016). Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby agrees to furnish supplementary copies of any of the omitted schedules or exhibits upon request by the Commission.
2.3	Amendment to Stock Purchase Agreement dated as of December 31, 2015, by and between Digirad Corporation and Platinum Equity Advisors, LLC as the stockholder representative (incorporated by reference to Exhibit 2.2 to the Current Report on Form 8-K filed with the Commission on January 7, 2016).
2.4	Second Amendment to Stock Purchase Agreement dated as of June 7, 2016, by and between Digirad Corporation and Platinum Equity Advisors, LLC as the stockholder representative (incorporated by reference to Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 1, 2016).
2.5	Asset Purchase Agreement by and between DMS Health Technologies, Inc., as Seller, and Philips North America LLC, as Buyer dated as of December 22, 2017 (incorporated by reference to Exhibit 2.8 to the Company's Annual Report on Form 10-K filed with the Commission on February 28, 2018). Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby agrees to furnish supplementary copies of any of the omitted schedules or exhibits upon request by the Commission.
2.6	Agreement and Plan of Merger, dated as of July 3, 2019, by and among Digirad Corporation, ATRM Holdings, Inc. and Digirad Acquisition Corporation (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Commission on July 3, 2019).
3.1	Restated Certificate of Incorporation of Digirad Corporation (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on May 3, 2006).
3.2	Certificate of Designation of Rights, Preferences and Privileges of Series B Participating Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 24, 2013).
3.3	Certificate of Amendment of the Restated Certificate of Incorporation of Digirad Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 5, 2015).
3.4	Certificate of Amendment of the Restated Certificate of Incorporation of Digirad Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 1, 2018).
3.5	Amended and Restated Bylaws of Digirad Corporation dated May 4, 2007 and Amendment No. 1 to the Amended and Restated Bylaws of Digirad Corporation dated April 5, 2017 (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 1, 2017).
3.6	Certificate of Amendment of the Restated Certificate of Incorporation of Digirad Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 31, 2019).
3.7	Certificate of Designations, Rights and Preferences of 10% Series A Cumulative Perpetual Preferred Stock of Digirad Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on September 11, 2019).
3.8	Certificate of Amendment of the Restated Certificate of Incorporation of Digirad Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on December 28, 2020.
4.1	Form of Specimen Stock Certificate (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-1 (File No. 333-113760) filed with the Commission on March 19, 2004).

Exhibit Number	Description
4.2	Preferred Stock Rights Agreement, by and between Digirad Corporation and American Stock Transfer and Trust Company, dated November 22, 2005 (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form 8-A filed with the Commission on November 29, 2005).
4.3	Tax Benefit Preservation Plan by and between Digirad Corporation and American Stock Transfer & Trust Company, dated as of May 23, 2013 (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed by the Company with the Commission on May 24, 2013).
4.4	Tax Benefit Preservation Plan Amendment, dated November 11, 2013, by and between the Company and American Stock Transfer & Trust Company, LLC (incorporated by reference to Exhibit 10.26 to the Company's Annual Report on Form 10-K filed with the Commission on March 20, 2014).
4.5	First Amendment to Preferred Stock Rights Agreement, dated as of March 5, 2015, by and between the Company and American Stock Transfer & Trust Company, LLC (incorporated by reference to Exhibit 4.5 to the Company's Annual Report on Form 10-K filed with the Commission on March 6, 2015).
4.6	Promissory Note, dated January 12, 2018, made by ATRM Holdings, Inc. for the benefit of Lone Star Value Co-Invest I, LP (incorporated by reference to Exhibit 4.1 to ATRM Holdings, Inc.'s Current Report on Form 8-K filed with the Commission on January 19, 2018).
4.7	Promissory Note, dated June 1, 2018, made by ATRM Holdings, Inc. for the benefit of Lone Star Value Co-Invest I, LP (incorporated by reference to Exhibit 4.1 to ATRM Holdings, Inc.'s Current Report on Form 8-K filed with the Commission on June 7, 2018).
4.8	Promissory Note, dated December 17, 2018, made by ATRM Holdings, Inc. for the benefit of Lone Star Value Management, LLC (incorporated by reference to Exhibit 4.2 to ATRM Holdings, Inc.'s Current Report on Form 8-K filed with the Commission on December 18, 2018).
4.9	Description of Registrant's Securities (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 13, 2020).
4.10	Form of Maxim Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on May 29, 2020, referencing Exhibit 1.1 (Underwriting Agreement) to the same Current Report on Form 8-K).
4.11	Form of Warrant (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the Commission on May 29, 2020).
4.12	Warrant Agent Agreement, dated May 28, 2020, between Digirad Corporation and American Stock Transfer & Trust Company, LLC. (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the Commission on May 29, 2020).
10.1#	Digirad Corporation 2004 Stock Incentive Plan, as Amended and Restated on August 2, 2007 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 7, 2007).
10.2#	Form of Notice of Stock Option Award and Stock Option Award Agreement for 2004 Stock Incentive Plan (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K filed with the Commission on March 3, 2005).
10.3#	2004 Non-Employee Director Option Program (incorporated by reference to Exhibit 10.19 to the Company's Amended Registration Statement on Form S-1/A (File No. 333-113760) filed with the Commission on May 24, 2004).
10.4#	Form of Notice of Non-Qualified Stock Option Award and Stock Option Award Agreement for 2004 Non-Employee Director Option Program (incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K filed with the Commission on March 3, 2005).
10.5#	Form of Indemnification Agreement (incorporated by reference to Exhibits 10.20 to the Registration Statement on Form S-1/A (File No. 333-113760) filed with the Commission on April 29, 2004).
10.6#	Employment Agreement, dated as of May 1, 2007, as amended on September 30, 2010, by and between the Company and Matthew G. Molchan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on March 5, 2013).
10.7#	Form of 2011 Inducement Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on July 29, 2011).
10.8#	Form of 2011 Inducement Stock Incentive Plan Stock Option Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on July 29, 2011).

Exhibit Number	Description
10.9#	Form of 2011 Inducement Stock Incentive Plan Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on July 29, 2011).
10.10#	Digirad Corporation 2014 Equity Incentive Award Plan (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 filed with the Commission on June 6, 2014).
10.11#	Form Indemnification Agreement of the Company for directors and officers (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K filed with the Commission on March 6, 2015).
10.12	Registration Rights Agreement, dated March 5, 2015, by and among the Company, Keenan - Thornton Family Trust, David Keenan and Samia Arram (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 1, 2015).
10.13	Consolidated Agreements, dated April 1, 2014, between DMS Health Technologies, Inc. and Philips Healthcare, a Division of Philips Electronics North America Corporation (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 3, 2017).
10.14	Amendment, dated June 9, 2015, to the Consolidated Agreements between DMS Health Technologies, Inc. and Philips Healthcare, a Division of Philips Electronics North America Corporation (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 10-Q filed with the Commission on November 3, 2017).
10.15#	Digirad Corporation 2018 Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on May 1, 2018).
10.16#	Form of 2018 Incentive Plan Restricted Stock Unit Agreement (incorporated by reference to Exhibit 99.2 to the Company's Registration Statement on Form S-8 filed with the Commission on November 6, 2018).
10.17#	Form of 2018 Incentive Plan Restricted Stock Unit Agreement (Performance Based) (incorporated by reference to Exhibit 99.3 to the Company's Registration Statement on Form S-8 filed with the Commission on November 6, 2018).
10.18#	Employment Agreement, by and between Digirad Corporation and David Noble, dated October 31, 2018 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 5, 2018).
10.19#	Indemnification Agreement, by and between Digirad Corporation and David Noble, dated October 25, 2018 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 5, 2018).
10.20	Limited Liability Company Agreement for Star Procurement, LLC, dated December 14, 2018, by and among Star Procurement LLC, Digirad Corporation and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.31 to the Company's Annual Report on Form 10-K filed with the Commission on March 1, 2019).
10.21	Purchase and Sale Agreement, dated March 27, 2019, by and between RJF – Keiser Real Estate, LLC and 56 Mechanic Falls Road, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on April 3, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.22	Purchase and Sale Agreement, dated April 3, 2019, by and between KBS Builders, Inc. and 947 Waterford Road, LLC (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on April 3, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.23	Purchase and Sale Agreement, dated April 3, 2019, by and between KBS Builders, Inc. and 300 Park Street, LLC (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on April 3, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.24	Lease Agreement, dated April 3, 2019, by and between KBS Builders, Inc. and 947 Waterford Road, LLC (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on April 3, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.25	Lease Agreement, dated April 3, 2019, by and between KBS Builders, Inc. and 300 Park Street, LLC (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the Commission on April 3, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.

Exhibit Number	Description
10.26	Lease Agreement, dated April 3, 2019, by and between KBS Builders, Inc. and 56 Mechanic Falls Road, LLC (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 8, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.27	First Amendment to Lease, dated April 18, 2019, by and between 56 Mechanic Falls Road, LLC and KBS Builders, Inc. (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 8, 2019).
10.28	Loan and Security Agreement, dated March 29, 2019, by and among Digirad Corporation, certain subsidiaries of the Digirad Corporation identified on the signature pages thereto, and Sterling National Bank (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the Commission on April 3, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.29	Stock Purchase Agreement, dated as of September 10, 2019, by and between Digirad Corporation and Lone Star Value Investors, LP (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on September 11, 2019).
10.30	Registration Rights Agreement, dated as of September 10, 2019, by and between Digirad Corporation and Lone Star Value Investors, LP (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on September 11, 2019).
10.31	Put Option Purchase Agreement, dated as of September 10, 2019, by and between Digirad Corporation and Jeffrey Eberwein (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on September 11, 2019).
10.32	Consent and Acknowledgment Agreement and Twelfth Amendment to Loan Agreement, dated as of September 10, 2019, by and among Gerber Finance Inc., KBS Builders, Inc., ATRM Holdings, Inc. and Digirad Corporation. (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on September 11, 2019).
10.33	Waiver of Promissory, Note dated July 17, 2019, by Lone Star Value Co-Invest I, LP to Promissory Note dated January 12, 2018, made by ATRM Holdings, Inc. in favor of Lone Star Value Co-Invest I, LP (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2019).
10.34	Waiver of Promissory Note, dated July 17, 2019, by Lone Star Value Co-Invest I, LP to Promissory Note dated June 1, 2018, made by ATRM Holdings, Inc. in favor of Lone Star Value Co-Invest I, LP (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2019).
10.35	Waiver of Promissory Note, dated July 17, 2019, by Lone Star Value Management, LLC to Promissory Note dated December 17, 2018, made by ATRM Holdings, Inc. in favor of Lone Star Value Management, LLC (incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2019).
10.36	Extension/Revision Agreement of Note dated October 1, 2019, by Premier Bank to Promissory Note dated June 30, 2017, made by Glenbrook Building Supply, Inc. and Edgebuilder, Inc. in favor of Premier Bank (incorporated by reference to Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2019).
10.37	Extension/Revision Agreement of Note dated November 1, 2019, by Premier Bank to Promissory Note dated June 30, 2017, made by Glenbrook Building Supply, Inc. and Edgebuilder, Inc. in favor of Premier Bank (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2019).
10.38	Loan and Security Agreement, dated as of February 23, 2016, by and among Gerber Finance Inc., KBS Builders, Inc., Maine Modular Haulers, Inc., and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.1 to ATRM Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Commission on May 16, 2016).
10.39	Third Agreement of Amendment to the Loan and Security Agreement, dated as of September 29, 2017, by and among Gerber Finance, Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.3 to ATRM Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Commission on April 16, 2019).
10.40	Revolving Credit Loan Agreement, dated as of June 30, 2017, by and between Glenbrook Building Supply, Inc., EdgeBuilder, Inc. and Premier Bank (incorporated by reference to Exhibit 10.3 to ATRM Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Commission on April 16, 2019).

Exhibit Number	Description
10.41	Fourth Agreement of Amendment to Loan and Security Agreement, dated as of July 20, 2017, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.1 to ATRM Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Commission on April 16, 2019).
10.42	Fifth Agreement of Amendment to Loan and Security Agreement, dated as of September 29, 2017, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit10.2 to ATRM Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Commission on April 16, 2019).
10.43	Sixth Agreement of Amendment to Loan and Security Agreement, dated as of December 22, 2017, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit10.22 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).
10.44	Securities Purchase Agreement, dated as of January 12, 2018, by and between ATRM Holdings, Inc. and Lone Star Co-Invest I, LP (incorporated by reference to Exhibit 10.1 to ATRM Holdings, Inc.'s Current Report on Form 8-K filed with the Commission on January 19, 2018).
10.45	Securities Purchase Agreement, dated as of June 1, 2018, by and between ATRM Holdings, Inc. and Lone Star Co-Invest I, LP (incorporated by reference to Exhibit 10.1 to ATRM Holdings, Inc.'s Current Report on Form 8-K filed with the Commission on June 7, 2018).
10.46	Eighth Agreement of Amendment to Loan and Security Agreement, dated as of October 1, 2018, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.25 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).
10.47	Securities Purchase Agreement, dated as of December 17, 2018, by and between ATRM Holdings, Inc. and Lone Star Value Management, LLC (incorporated by reference to Exhibit 10.1 to ATRM Holdings, Inc.'s Current Report on Form 8-K filed with the Commission on December 18, 2018).
10.48	Ninth Agreement of Amendment to Loan and Security Agreement, dated as of February 22, 2019, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.29 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).
10.49	Tenth Agreement of Amendment to Loan and Security Agreement, dated as of April 1, 2019, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.30 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).
10.50	Fifth Agreement of Amendment to Loan and Security Agreement, dated as of April 1, 2019, by and among Gerber Finance Inc., Edgebuilder, Inc., Glenbrook Building Supply Inc., ATRM Holdings, Inc. and KBS Builders, Inc. (incorporated by reference to Exhibit 10.31 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).
10.51	Membership Interest Purchase Agreement, dated as of April 1, 2019, by and among ATRM Holdings, Inc., Lone Star Value Management, LLC and Jeffrey E. Eberwein (incorporated by reference to Exhibit 10.3 to ATRM Holdings, Inc.'s Current Report on Form 8-K filed with the Commission on April 26, 2019).
10.52	Eleventh Agreement of Amendment to Loan and Security Agreement, dated as of April 15, 2019, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.39 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).
10.53	Agreement, dated as of May 15, 2019, by and between Digirad Corporation and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.39 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on June 26, 2019).
10.54	Loan and Security Agreement, dated January 31, 2020, by and among Star Real Estate Holdings USA, Inc., 300 Park Street, LLC, 947 Waterford Road, LLC, 56 Mechanic Falls Road, LLC, ATRM Holdings, Inc., EdgeBuilder, Inc., Glenbrook Building Supply, Inc., KBS Builders, Inc., Digirad Corporation, and Gerber Finance Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on February 6, 2020). Schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.55	Loan and Security Agreement, dated January 31, 2020, by and among EdgeBuilder, Inc., Glenbrook Building Supply, Inc., Star Real Estate Holdings USA, Inc., 300 Park Street, LLC, 947 Waterford Road, LLC, 56 Mechanic Falls Road, LLC, ATRM Holdings, Inc., KBS Builders, Inc., Digirad Corporation, and Gerber Finance Inc. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on February 6, 2020). Schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.

Exhibit Number	Description
10.56	Extension and Modification Agreement, dated January 31, 2020, by and among EdgeBuilder, Inc., Glenbrook Building Supply, Inc. and Premier Bank (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on February 6, 2020).
10.57	Thirteenth Amendment to Loan and Security Agreement, dated January 31, 2020, by and among Gerber Finance Inc., KBS Builders, Inc. ATRM Holdings, Inc., and Digirad Corporation (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on February 6, 2020).
10.58	First Amendment to Loan and Security Agreement, dated February 20, 2020, by and among Star Real Estate Holdings USA, Inc., 300 Park Street, LLC, 947 Waterford Road, LLC, 56 Mechanic Falls Road, LLC and Gerber Finance Inc (incorporated by reference to Exhibit 10.63 to the Company's Annual Report on Form 10-K filed with the Commission on March 9, 2020).
10.59	First Amendment to Loan and Security Agreement Dated January 31, 2020, dated as of March 5, 2020, by and among Gerber Finance Inc., EdgeBuilder, Inc. and Glenbrook Building Supply, Inc.; and Consent and as a Fourteenth Amendment to Loan and Security Agreement Dated February 23, 2016, by and among Gerber Finance Inc., KBS Builders, Inc., ATRM Holdings, Inc. and Digirad Corporation (incorporated by reference to Exhibit 10.64 to the Company's Annual Report on Form 10-K filed with the Commission on March 9, 2020).
10.60	Severance Agreement, dated January 28, 2014, between Digirad Corporation and Martin B. Shirley (incorporated by reference to Exhibit 10.65 to the Company's Amendment No. 1 to Annual Report on Form 10-K/A filed with the Commission on April 17, 2020).
10.61	Note, dated April 30, 2020, made by KBS Builders, Inc. in favor of Bremer Bank (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on May 6, 2020).
10.62	Note, dated April 30, 2020, made by EdgeBuilder, Inc. in favor of Bremer Bank (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on May 6, 2020).
10.63	Note, dated April 30, 2020, made by Glenbrook Building Supply Inc. in favor of Bremer Bank (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on May 6, 2020).
10.64	Second Amendment to Loan and Security Agreement, dated April 30, 2020, by and among Star Real Estate Holdings USA, Inc., 300 Park Street, LLC, 947 Waterford Road, LLC, 56 Mechanic Falls Road, LLC and Gerber Finance Inc. (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 15, 2020).
10.65	Fifteenth Amendment to Loan and Security Agreement dated April 1, 2020, between KBS Builders, Inc. and Gerber Finance Inc. (incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 15, 2020).
10.66	Promissory Note, dated May 5, 2020, made by DMS Imaging, Inc. in favor of Sterling National Bank (incorporated by reference to Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 15, 2020).
10.67	Promissory Note, dated May 5, 2020, made by Digirad Imaging Solutions, Inc. in favor of Sterling National Bank (incorporated by reference to Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 15, 2020).
10.68	Promissory Note, dated May 7, 2020, made by DMS Health Technologies, Inc. in favor of Sterling National Bank (incorporated by reference to Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 15, 2020).
10.69	Promissory Note, dated May 7, 2020, made by Digirad Corporation in favor of Sterling National Bank (incorporated by reference to Exhibit 10.15 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 15, 2020).
10.70	Second Amendment to Loan and Security Agreement, dated July 1, 2020, by and among Gerber Finance Inc., EdgeBuilder, Inc., and Glenbrook Building Supply, Inc. (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 13, 2020).
10.71	2018 Incentive Plan, as amended July 31, 2020 (incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 13, 2020).

Exhibit Number	Description
10.72*	First Amendment to Loan and Security Agreement, Consent and Release, dated February 1, 2021, by and among Digirad Health, Inc., Digirad Imaging Solutions, Inc., MD Office Solutions, 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.
10.73*	Sixteenth Amendment to Loan and Security Agreement, dated January 5, 2021, by and among Gerber Finance Inc., KBS Builders, Inc., ATRM Holdings, Inc., and Star Equity Holdings, Inc.
10.74*	Seventeenth Amendment to Loan and Security Agreement, dated February 26, 2021, by and among Gerber Finance Inc., KBS Builders, Inc., ATRM Holdings, Inc., and Star Equity Holdings, Inc.
10.75*	Third Amendment to Loan and Security Agreement, dated January 31, 2020, by and among Gerber Finance Inc., Star Real Estate Holdings USA, Inc., 300 Park Street, LLC, 947 Waterford Road, LLC, and 56 Mechanic Falls Road, LLC.
10.76*	Third Amendment to Loan and Security Agreement, dated January 31, 2020, by and among Gerber Finance Inc., EdgeBuilder, Inc., and Glenbrook Building Supply, Inc.
10.77*	Stock Purchase Agreement, dated October 30, 2020, by and among Knob Creek Acquisition Corp., Digirad Corporation, Project Rendezvous Acquisition Corporation and DMS Health Technologies, Inc. The schedules and exhibits to this exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.78*	Amendment to Stock Purchase Agreement dated as of March 26, 2021, by and between Project Rendezvous Acquisition Corporation and Knob Creek Acquisition Corp.
21.1*	Subsidiaries of Star Equity Holdings, Inc.
23.1*	Consent of BDO USA, LLP, Independent Registered Public Accounting Firm
24.1*	Power of Attorney (included on the signature page of this Form 10-K)
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*+	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*+	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.LAB*	XBRL Taxonomy Extension Labels Linkbase
101.PRE*	XBRL Taxonomy Presentation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase

# Indicates management contract or compensatory plan.

* Filed herewith.

+ The certifications attached as Exhibits 32.1 and 32.2 that accompany this Annual Report on Form 10-K are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Digirad Corporation under the Securities and Exchange Act of 1933, as amended, or the Securities and Exchange Act of 1934, as amended, whether made before or after the date of this 10-K, irrespective of any general incorporation language contained in such filings.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DIGIRAD CORPORATION

Dated: March 29, 2021

By: /S/ JEFFREY E. EBERWEIN
Name: **Jeffrey E. Eberwein**
Title: **Executive Chairman**
(Principal Executive Officer)

Power of Attorney

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Jeffrey E. Eberwein and David J. Noble, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each of said attorneys-in-fact and agents, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that each of said attorneys-in-facts and agents, or his substitute or substitutes, or any of them, shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Name	Title	Date
/S/ JEFFREY E. EBERWEIN **Jeffrey E. Eberwein**	Executive Chairman of the Board and Director *(Principal Executive Officer)*	March 29, 2021
/S/ DAVID J. NOBLE **David J. Noble**	Chief Financial Officer and Chief Operating Officer (*Principal Financial and Accounting Officer*)	March 29, 2021
/S/ MATTHEW G. MOLCHAN **Matthew G. Molchan**	Director	March 29, 2021
/S/ MITCH I. QUAIN **Mitch I. Quain**	Director	March 29, 2021
/S/ MICHAEL A. CUNNION **Michael A. Cunnion**	Director	March 29, 2021
/S/ JOHN W. SAYWARD **John W. Sayward**	Director	March 29, 2021

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant ☒ Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐ Preliminary Proxy Statement

☐ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

☒ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material Pursuant Rule §240.14a-11(c) or §240.14a-2

Star Equity Holdings, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

☐ Fee paid previously with preliminary materials.

☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

STAR EQUITY HOLDINGS, INC.
53 Forest Ave. Suite 101,
Old Greenwich, Connecticut 06870

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON October 21, 2021

To the Stockholders of Star Equity Holdings, Inc.:

You are cordially invited to attend the 2021 annual meeting of stockholders (the "Annual Meeting") of Star Equity Holdings, Inc. (the "Company") on Thursday, October 21, 2021. We will hold the meeting at 11:00 a.m. Eastern Daylight Time at our offices at 53 Forest Avenue, 1st Floor, Old Greenwich, CT 06870.

In connection with the Annual Meeting, we have prepared a Proxy Statement setting out detailed information about the matters that will be covered at the meeting. We will mail our Proxy Statement, along with a proxy card, on or about September 23, 2021 to our stockholders of record as of the close of business on September 10, 2021. These materials and our Annual Report on Form 10-K for the year ended December 31, 2020 are also available electronically at our corporate website at www.starequity.com.

Our Board of Directors has fixed the close of business on September 10, 2021 as the record date for the determination of stockholders entitled to notice of and to vote at our Annual Meeting and at any adjournment(s), postponement(s) or other delay(s) thereof. Voting on the matters to be considered at the Annual Meeting can be done (1) by signing and dating the enclosed proxy card and returning it in the enclosed postage-paid envelope or (2) in person by ballot at the Annual Meeting. Important information about attending the Annual Meeting in person is included in the proxy statement.

The matters that will be considered at the Annual Meeting are:

1. To elect five directors, to serve until the Company's 2022 annual meeting of stockholders and until their successors are duly elected and qualified;
2. To ratify the appointment of our independent auditors;
3. To conduct an advisory (non-binding) vote to approve the compensation of the Company's named executive officers;
4. To ratify and approve the Star Equity Holdings, Inc. Amended Tax Benefit Preservation Plan (a stockholder rights plan) designed to preserve the value of certain tax assets associated with net operating loss carryforwards under Section 382 of the Internal Revenue Code;
5. The approval of a protective amendment to our Restated Certificate of Incorporation designed to protect the tax benefits of the Company's net operating loss carryforwards (the "Protective Amendment") ; and
6. To transact such other business as may properly come before the Annual Meeting or any adjournment(s), postponement(s) or other delay(s) thereof.

Your vote is extremely important. Whether or not you plan to attend the Annual Meeting, please vote your shares as soon as possible. Using a proxy card to submit your vote now will not prevent you from attending or voting in person by ballot at the Annual Meeting. If you vote in person by ballot at the Annual Meeting, that vote will revoke any prior proxy that you have submitted.

If you have any questions, or need assistance in voting your shares, please contact the firm assisting us in the solicitation of proxies:

InvestorCom LLC
Stockholders Call Toll Free: 877-972-0090
Banks and Brokers Call Collect: 203-972-9300

Your vote is extremely important, regardless of how many or how few shares you own. The Board of Directors urges you to vote your shares to elect its nominees. Whether or not you plan to attend the Annual Meeting in person, please use the enclosed proxy card to ensure that your vote is counted. If you vote in person by ballot at the Annual Meeting, that vote will revoke any prior proxy that you have submitted.

Sincerely,

/s/ Jeffrey E. Eberwein

Jeffrey E. Eberwein
Executive Chairman of the Board of Directors

Old Greenwich, Connecticut
September 22, 2021

STAR EQUITY HOLDINGS, INC.
53 Forest Ave. Suite 101,
Old Greenwich, Connecticut 06870

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON OCTOBER 21, 2021

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STAR EQUITY HOLDINGS, INC.
53 Forest Ave. Suite 101,
Old Greenwich, Connecticut 06870

PROXY STATEMENT

The Board of Directors of Star Equity Holdings, Inc., a Delaware corporation (referred to in this Proxy Statement as "Star Equity," "the Company," "we", "our" or "us"), is soliciting proxies from our stockholders in connection with our 2021 Annual Meeting of Stockholders to be held on October 21, 2021 and at any adjournment(s), postponement(s) or other delay(s) thereof (the "Annual Meeting"). We will hold the meeting at 11:00 a.m. Eastern Daylight Time at our offices at 53 Forest Avenue, 1st Floor, Old Greenwich, CT 06870.

The accompanying proxy is solicited by the Board of Directors and is revocable by the stockholder at any time before it is voted. This Proxy Statement is being mailed to stockholders of the Company on or about September 23, 2021 and is accompanied by the Company's Annual Report on Form 10-K (without exhibits) for the fiscal year ended December 31, 2020 (the "2020 Annual Report").

Who May Vote

Only holders of common stock, par value $0.0001 per share of the Company ("common stock"), outstanding as of the close of business on September 10, 2021 (the "Record Date") are entitled to receive notice of, and to vote at, the Annual Meeting. As of the Record Date, there were 5,108,978 shares of common stock outstanding and entitled to vote at the Annual Meeting. Each share of common stock is entitled to one vote on all matters. No other class of securities will be entitled to vote at the Annual Meeting. There are no cumulative voting rights.

Voting Requirements

The holders of a majority of the common stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, constitute a quorum for the transaction of business at the Annual Meeting. Shares that reflect abstentions and broker non-votes, if any, count as present at the Annual Meeting for the purposes of determining a quorum. A broker non-vote occurs when a bank, broker, or other nominee holding shares for a beneficial owner votes on one proposal but does not vote on another proposal because, with respect to such other proposal, the nominee does not have discretionary voting power and has not received instructions from the beneficial owner.

The vote requirement for each matter is as follows:

- **Proposal 1 (Election of Directors) —** Directors are elected by a plurality of the votes cast, and the five nominees who receive the greatest number of favorable votes cast in the election of directors will be elected directors to serve until the 2021 annual meeting of stockholders and until their successors are duly elected and qualified.
- **Proposal 2 (Ratification of Appointment of Independent Auditors) —** The ratification of the appointment of our independent auditors requires the favorable vote of the holders of a majority of the common stock having voting power present in person or represented by proxy and entitled to vote thereon.
- **Proposal 3 (Advisory (Non-Binding) Stockholder Approval of Named Executive Officer Compensation) —** The advisory (non-binding) approval of the compensation of the Company's named executive officers requires the favorable vote of the holders of a majority of the common stock having voting power present in person or represented by proxy and entitled to vote thereon.
- **Proposal 4 (Approval of the Amended Tax Benefit Preservation Plan) —** The approval of our Amended Tax Benefit Preservation Plan (a stockholder rights plan) ("Rights Plan Proposal") requires a favorable vote of the holders of a majority of the common stock having voting power present in person or represented by proxy and entitled to vote thereon.
- **Proposal 5 (Approval of the Protective Amendment) —** The approval of a protective amendment to our Restated Certificate of Incorporation designed to protect the tax benefits of the Company's net operating loss carryforwards (the "Protective Amendment") requires the favorable vote of the holders of a majority of the outstanding shares of our common stock.

With respect to the election of directors (Proposal 1), abstentions and broker non-votes, if any, will be disregarded and have no effect on the outcome of the vote. With respect to the ratification of the appointment of our independent registered public accounting firm (Proposal 2), and the advisory (non-binding) stockholder approval of named executive officer compensation (Proposal 3), the approval of the Amended Tax Benefit Preservation Plan (Proposal 4) and the approval of the Protective Amendment (Proposal 5), abstentions will have the same effect as voting against such proposals, and broker non-votes on Proposal 3, and Proposal 4, if any, will be disregarded and have no effect on the outcome of the vote on those proposals. As the approval of Proposal 2 is a routine proposal on which a broker or other nominee is generally empowered to vote in the absence of voting instructions from the beneficial owner, broker non-votes are unlikely to result from Proposal 2. Broker non-votes on Proposal 5, if any, will have the same effect as voting against such proposal.

The Board of Directors' Voting Recommendations

The Board of Directors recommends that you vote your shares "**FOR**" each of the Board of Directors' five nominees that are standing for election to the Board of Directors (Proposal 1); "**FOR**" the ratification of the appointment of our independent auditors (Proposal 2); "**FOR**" the advisory (non-binding) stockholder approval of the compensation of the Company's named executive officers (Proposal 3); "**FOR**" the approval of the Rights Plan Proposal (Proposal 4) and "**FOR**" the approval of the Protective Amendment (Proposal 5).

How to Vote

If you are a stockholder of record as of the Record Date, you may vote (1) by signing and dating the enclosed proxy card and returning it in the enclosed postage-paid envelope or (2) in person by ballot at the Annual Meeting. If you hold your shares of common stock in a brokerage account or by a bank or other nominee, you must follow the voting procedures provided by your broker, bank or other nominee, which instructions will be included with your proxy materials.

Giving us your proxy means you authorize the Board of Directors' designated proxy holders (who are identified on the enclosed proxy card) to vote your shares at the Annual Meeting in the manner that you have indicated and in their best judgment on such other matters that may properly come before the Annual Meeting. If you sign, date and return the enclosed proxy card but do not indicate your vote, the designated proxy holders will vote your shares "**FOR**" each of the Board of Director's five nominees that are standing for election to the Board of Directors (Proposal 1); "**FOR**" the ratification of the appointment of our independent auditors (Proposal 2); "**FOR**" the advisory (non-binding) stockholder approval of the compensation of the Company's named executive officers (Proposal 3); "**FOR**" the ratification of the Rights Plan Proposal (Proposal 4) and "**FOR**" the approval of the Protective Amendment (Proposal 5).

If You Plan to Attend the Annual Meeting

Attendance at the Annual Meeting will be limited to stockholders and the Company's invited guests. Each stockholder may be asked to present valid picture identification, such as a driver's license or passport. Stockholders holding shares of common stock in brokerage accounts or through a bank or other nominee may be required to show a brokerage statement or account statement reflecting stock ownership. Cameras, recording devices and other electronic devices will not be permitted at the Annual Meeting. You may contact Hannah Bible at (800) 947-6134 for directions to the Annual Meeting.

If you are a stockholder of record as of the Record Date, you may vote your shares of common stock in person by ballot at the Annual Meeting. If you hold your shares of common stock in a stock brokerage account or through a bank or other nominee, you will not be able to vote in person at the Annual Meeting unless you have previously requested and obtained a "legal proxy" from your broker, bank or other nominee and present it at the Annual Meeting.

Revoking a Proxy

You may revoke your proxy by submitting a new proxy with a later date or by notifying our Corporate Secretary in writing at 53 Forest Ave. Suite 101, Old Greenwich, Connecticut 06870. If you attend the Annual Meeting in person and vote by ballot, any previously submitted proxy will be revoked.

How We Solicit Proxies

We will solicit proxies and will bear the entire cost of our solicitation, including the preparation, assembly, printing, and mailing of this Proxy Statement and any additional materials furnished to our stockholders. We have retained InvestorCom LLC to assist us in the solicitation of proxies, as described in "General - Cost of Solicitation" below. The initial solicitation of proxies by mail may be supplemented by telephone, fax, e-mail, internet, and personal solicitation by our directors, officers, or other regular employees. No additional compensation for soliciting proxies will be paid to our directors, officers or other regular employees for their proxy solicitation efforts. Fees paid to InvestorCom LLC are described in "General - Cost of Solicitation" below.

If You Receive More Than One Proxy Card

If you hold your shares of common stock in more than one account, you will receive a proxy card for each account. To ensure that all of your shares of common stock are voted, please vote using a proxy card for each account that you own. It is important that you vote all of your shares of common stock.

NOTICE REGARDING POTENTIAL IMPACT OF COVID-19 ON ANNUAL MEETING

We currently intend to hold the Annual Meeting in person. However, we are actively monitoring the spread of the coronavirus disease, or COVID-19, and are sensitive to the public health and travel concerns that our stockholders may have, as well as protocols that federal, state, and local governments may impose. If it is not possible or advisable to hold the Annual Meeting in person, we will announce alternative arrangements for the meeting as promptly as practicable, which may include switching to a virtual meeting format, or changing the time, date or location of the Annual Meeting. Any such change will be announced via press release and the filing of additional proxy materials with the Securities and Exchange Commission, and the Company will take all reasonable steps necessary to inform other intermediaries in the proxy process (such as any proxy service provider) and other relevant market participants (such as the appropriate national securities exchanges) in the event of such change.

Important Notice Regarding the Availability of Proxy Materials for the Star Equity Holdings, Inc. 2021 Annual Meeting of Stockholders to be Held on October 21, 2021

The Proxy Statement, our form of proxy card, and our 2020Annual Report are available to stockholders at http://www.icommaterials.com/STRR

If You Have Any Questions

If you have any questions, or need assistance in voting your shares, please contact the firm assisting us in the solicitation of proxies:

InvestorCom LLC
Stockholders Call Toll Free: 877-972-0090
Banks and Brokers Call Collect: 203-972-9300

CORPORATE GOVERNANCE AND ETHICS

Composition of the Board of Directors

The current number of directors on our Board of Directors is six. Effective upon the election of directors at the Annual Meeting, the number of directors on our Board of Directors will be fixed at five. Under our bylaws, the number of directors on our Board of Directors will not be less than five, nor more than nine, and is fixed, and may be increased or decreased by resolution of the Board of Directors.

Director Nomination Process

Director Qualifications

In evaluating director nominees, the Corporate Governance Committee of our Board of Directors (the "Corporate Governance Committee") considers the appropriate size of the Board of Directors, as well as the qualities and skills of individual candidates. Factors considered include the following:

- A history illustrating personal and professional integrity and ethics;
- Independence;
- Successful business management experience;
- Public company experience, as officer or board member;
- Experience in the medical device, healthcare and employee leasing industries; and
- Educational background.

The Corporate Governance Committee's goal is to assemble a Board of Directors that brings the Company a diversity of perspectives and skills derived from the factors considered above. The Corporate Governance Committee also considers candidates with relevant non-business experience and training.

Our Board of Directors believes that it is necessary for each of our directors to possess many qualities and skills. When searching for new candidates, the Corporate Governance Committee considers the evolving needs of the Board of Directors and searches for candidates that fill any current or anticipated future gap. Our Board of Directors also believes that all directors must possess a considerable amount of business management (such as experience as a chief executive or chief financial officer) and educational experience. The Corporate Governance Committee first considers a candidate's management experience and then considers issues of judgment, background, stature, conflicts of interest, integrity, ethics, and commitment to the goal of maximizing stockholder value when considering director candidates. The Corporate Governance Committee also focuses on issues of diversity, such as diversity of gender, race and national origin, education, professional experience, and differences in viewpoints and skills. The Corporate Governance Committee does not have a formal policy with respect to diversity; however, our Board of Directors and the Corporate Governance Committee believe that it is essential that the directors represent diverse viewpoints. In considering candidates for our Board of Directors, the Corporate Governance Committee considers the entirety of each candidate's credentials in the context of these standards. With respect to the nomination of continuing directors for re-election, the individual's contributions to the Board of Directors are also considered.

Other than the foregoing background factors that are considered in selecting director candidates, there are no stated minimum qualifications for director nominees, although the Corporate Governance Committee may also consider such other facts as it may deem are in the best interests of Star Equity and our stockholders. The Corporate Governance Committee does believe it appropriate for at least one, and preferably several, members of our Board of Directors to meet the criteria for an "audit committee financial expert" as defined by the rules of the Securities and Exchange Commission (the "SEC"), and that a majority of the members of our Board of Directors meet the definition of an "independent director" under the listing standards of the NASDAQ Stock Market ("Nasdaq"). At this time, the Corporate Governance Committee also believes it appropriate for our Principal Executive Officer, our Executive Chairman, to serve as a member of our Board of Directors.

Identification and Evaluation of Nominees for Directors

The Corporate Governance Committee identifies nominees for director by first evaluating the current members of our Board of Directors willing to continue their service on the Board of Directors. Current members with qualifications and skills that are consistent with the Corporate Governance Committee's criteria for board service on the Board of Directors and who are willing to continue their service are considered for re-nomination, balancing the value of continuity of service by existing members of our Board of Directors with that of obtaining new perspectives. If any member of our Board of Directors does not wish to continue his or her service or if our Board of Directors decides not to re-nominate a member for re-election, the Corporate Governance Committee identifies the desired skills and experience of a new nominee in light of the criteria above. The Corporate Governance Committee generally polls our Board of Directors and members of management for their recommendations regarding potential new nominees. The Corporate Governance Committee may also review the composition and qualification of the boards of directors of our competitors, and may seek input from our stockholders, industry experts, or analysts. The Corporate Governance Committee reviews the qualifications, experience, and background of the candidates.

Final candidates are interviewed by some or all of our independent directors and our executive chairman. In making its determinations, the Corporate Governance Committee evaluates each individual in the context of our Board of Directors as a whole, with the objective of assembling a group that can best attain success for Star Equity and represent stockholder interests through the exercise of sound judgment. After review and deliberation of all feedback and data, the Corporate Governance Committee makes its recommendation to our Board of Directors. Historically, the Corporate Governance Committee has not relied on third-party search firms to identify board candidates. The Corporate Governance Committee may in the future choose to do so in those situations where particular qualifications are required or where existing contacts are not sufficient to identify and acquire an appropriate candidate.

The Corporate Governance Committee does not have a formal policy regarding consideration of director candidate recommendations from our stockholders. Any recommendations received from stockholders have been and will continue to be evaluated in the same manner as potential nominees suggested by members of our Board of Directors or management. Stockholders wishing to suggest a candidate for director should write to our Corporate Secretary at our corporate headquarters. In order for us to effectively consider a recommendation for a nominee for a director position, stockholders must provide the following information in writing: (i) the stockholder's name and address, as they appear in the Company's books; (ii) the class and number of shares beneficially owned by the stockholder; (iii) a statement that the stockholder is proposing a candidate for consideration as a director nominee to the Corporate Governance Committee; (iv) the name, age, business address, and residence address of the candidate; (v) a description of all arrangements or understandings between the stockholder and each candidate and any other person or persons (naming such person or persons) pursuant to which the nominations are to be made by the stockholder; (vi) the principal occupation or employment of the candidate; and (vii) any other information relating to such candidate that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (including without limitation such candidate's written consent to being named in the Proxy Statement, if any, as a nominee and to serving as a director if elected). In order to give the Corporate Governance Committee sufficient time to evaluate a recommended candidate, any such recommendation should be received by our Corporate Secretary at our corporate headquarters not later than the 120th calendar day before the one year anniversary of the date our Proxy Statement was mailed to stockholders in connection with the previous year's annual meeting of stockholders.

Board Leadership Structure

Jeffrey E. Eberwein is currently the Executive Chairman of our Board of Directors. Mr. Quain serves as our Lead Independent Director. Mr. Eberwein has held leadership positions with investment firms and brings to Star Equity outside experience and expertise. He also has an educational background in business. Mr. Eberwein has been named by the Corporate Governance Committee as a nominee for re-election to our Board of Directors at the Annual Meeting. The Board believes that the current leadership structure is appropriate because the role of Executive Chairman of the Board provides a single point of leadership and facilitates consistent and effective communication with operating company management teams, stockholders, clients, employees and with the independent directors.

Board Meeting Attendance

Our Board of Directors held fifteen in-person or telephonic meetings during 2020. No director who served as a director during the past year attended fewer than 75% of the aggregate of the total number of meetings of our Board of Directors and of the total number of meetings of committees of our Board of Directors on which he served.

Director Independence

Our Board of Directors has determined that each of the director nominees standing for election, except Mr. Eberwein, are independent directors (as currently defined in Rule 5605(a)(2) of the NASDAQ listing rules). In determining the independence of our directors, the Board of Directors considered all transactions in which the Company and any director had any interest, including those discussed under "Related Person Transactions and Delinquent Section 16(a) Reports" below. The independent directors meet as often as necessary to fulfill their responsibilities, including meeting at least twice annually in executive session without the presence of non-independent directors and management.

Director Attendance at the Annual Meeting

Although we do not have a formal policy regarding attendance by members of our Board of Directors at the Annual Meeting, we encourage all of our directors to attend. Four directors attended last year's annual meeting, either in-person or telephonically.

Board Self-Assessments

Our Board of Directors conducts annual self-evaluations to determine whether it and its committees are functioning effectively. The full Board of Directors reviews the results of the assessments and identifies areas for continued improvement. Our Board of Directors also develops and communicates to management any proposals for improving board functions.

Committees of the Board of Directors

Our Board of Directors currently has three standing committees. The current members of our committees are identified below:

	Committees					
Director	**Audit**		**Compensation**		**Corporate Governance**	
John W. Gildea	X					
Michael A. Cunnion	X		X	(Chair)	X	
John W. Sayward	X	(Chair)	X		X	
Jeffrey E. Eberwein						
Mitchell I. Quain			X		X	(Chair)

Audit Committee. The Audit Committee of the Board of Directors, established in accordance with Section 3(a)(58)(A) of the Exchange Act (the "Audit Committee"), consists of Messrs. Gildea, Cunnion, and Sayward, with Mr. Sayward serving as chairman. The Audit Committee held four meetings during 2020. All members of the Audit Committee are (i) independent directors (as currently defined in Rule 5605(a)(2) of the NASDAQ listing rules); (ii) meet the criteria for independence set forth in Rule 10A-3(b)(1) under the Exchange Act; (iii) not have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years; and (iv) are able to read and understand fundamental financial statements. Mr. Sayward qualifies as an "audit committee financial expert" as defined in the rules and regulations established by the SEC. The Audit Committee is governed by a written charter approved by our Board of Directors. The functions of this committee include, among other things:

- Meeting with our management periodically to consider the adequacy of our internal controls and the objectivity of our financial reporting;
- Meeting with our independent registered public accounting firm and with internal financial personnel regarding the adequacy of our internal controls and the objectivity of our financial reporting;
- Recommending to our Board of Directors the engagement of our independent registered public accounting firm;
- Reviewing our quarterly and audited consolidated financial statements and reports and discussing the statements and reports with our management, including any significant adjustments, management judgments and estimates, new accounting policies and disagreements with management; and
- Reviewing our financial plans and reporting recommendations to our full Board of Directors for approval and to authorize action.

Both our independent registered public accounting firm and internal financial personnel regularly meet privately with our Audit Committee and have unrestricted access to the Audit Committee.

Compensation Committee. The Compensation Committee of the Board of Directors (the "Compensation Committee") consists of Messrs. Cunnion, and Sayward, and Quain with Mr. Cunnion serving as chairman. The Compensation Committee held four meetings during 2020. All members of the Compensation Committee are independent, as determined under the various NASDAQ Stock Market, SEC and Internal Revenue Service qualification requirements. The Compensation Committee is governed by a written charter approved by our Board of Directors. The functions of this committee include, among other things:

- Reviewing and, as it deems appropriate, recommending to our Board of Directors, policies, practices, and procedures relating to the compensation of our directors, officers and other managerial employees and the establishment and administration of our employee benefit plans;
- Establishing appropriate incentives for officers, including the Chief Executive Officer, to encourage high performance, promote accountability and adherence to company values and further our long-term strategic plan and long-term value; and
- Exercising authority under our employee benefit plans.

Corporate Governance Committee. The Corporate Governance Committee consists of Messrs, Cunnion, Sayward and Quain with Mr. Quain serving as chairman. The Corporate Governance Committee held four meetings during 2020. All members of the Corporate Governance Committee are independent directors (as defined in Rule 5605(a)(2) of the NASDAQ listing rules). The Corporate Governance Committee is governed by a written charter approved by our Board of Directors. The functions of this committee include, among other things:

- Reviewing and recommending nominees for election as directors;
- Assessing the performance of our Board of Directors;
- Developing guidelines for the composition of our Board of Directors;
- Reviewing and administering our corporate governance guidelines and considering other issues relating to corporate governance; and
- Oversight of the Company compliance officer and compliance with the Company's Code of Business Ethics and Conduct.

The Board of Directors' Role in Risk Oversight

Our Board of Directors, as a whole and also at the committee level, has an active role in managing enterprise risk. The members of our Board of Directors participate in our risk oversight assessment by receiving regular reports from members of senior management and the Company compliance officer appointed by our Board of Directors on areas of material risk to us, including operational, financial, legal and regulatory, and strategic and reputational risks. The Compensation Committee is responsible for overseeing the management of risks relating to our executive compensation plans and arrangements. The Audit Committee oversees management of financial risks, as well as our policies with respect to risk assessment and risk management. The Corporate Governance Committee manages risks associated with the independence of our Board of Directors and potential conflicts of interest. Members of the management team report directly to our Board of Directors or the appropriate committee. The directors then use this information to understand, identify, manage, and mitigate risk. Once a committee has considered the reports from management, the chairperson will report on the matter to our full Board of Directors at the next meeting of the Board of Directors, or sooner if deemed necessary. This enables our Board of Directors and its committees to effectively carry out its risk oversight role.

Communications with our Board of Directors

Any stockholder may send correspondence to our Board of Directors c/o Corporate Secretary, Star Equity Holdings, Inc., 53 Forest Ave, Suite 101, Old Greenwich, Connecticut 06870. Our Corporate Secretary will review all correspondence addressed to our Board of Directors, or any individual director, and forward all such communications to our Board of Directors or the appropriate director prior to the next regularly scheduled meeting of our Board of Directors following the receipt of the communication, unless the Corporate Secretary decides the communication is more suitably directed to Company management and forwards the communication to Company management. Our Corporate Secretary will summarize all stockholder correspondence directed to our Board of Directors that is not forwarded to our Board of Directors and will make such correspondence available to our Board of Directors for its review at the request of any member of our Board of Directors.

Code of Business Conduct and Ethics

We have established a Code of Business Ethics and Conduct (the "Ethics Code") that applies to all our officers, directors, employees and contractors. The Ethics Code contains general guidelines for conducting our business consistent with the highest standards of business ethics and compliance with applicable law, and is intended to qualify as a "code of ethics" within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and Item 406 of Regulation S-K. Day-to-day compliance with the Ethics Code is overseen by the Company compliance officer appointed by our Board of Directors. If we make any amendments to the Ethics Code or grant any waiver from a provision of the Ethics Code to any director or executive officer, we will promptly disclose the nature of the amendment or waiver on the "Investors" section of the Company's website (www.starequity.com) under the tab "Corporate Governance."

Corporate Governance Documents Available Online

Our corporate governance documents, including the Audit Committee charter, Compensation Committee charter, Corporate Governance Committee charter, and the Ethics Code, are available free of charge on the "Investors" section of our website (www.starequity.com) under the tab "Corporate Governance." Information contained on our website is not incorporated by reference in, or considered part of, this Proxy Statement. Stockholders may also request paper copies of these documents free of charge upon written request to Investor Relations, Star Equity Holdings, Inc., 53 Forest Ave. Suite 101, Old Greenwich, Connecticut 06870.

Non-Employee Director Stock Ownership Policy

Each non-employee director serving on the Board must beneficially own (on a cost basis) an amount of the Company's common stock or common stock equivalents equal in value to at least 60% of cash compensation received over the prior five years for service as a director of the Company. Until such non-employee director has achieved the level of stock ownership required by our Non-Employee Director Stock Ownership Policy, such non-employee director will be required to retain an amount of common stock equal to 50% of the net shares received as a result of the exercise, vesting or payment of any equity awards granted to the non-employee director by the Company. Non-employee directors are not required to purchase shares in the open market in order to achieve the guideline level of ownership required by this Non-Employee Director Stock Ownership Policy.

Because non-employee directors must retain a percentage of net shares acquired from any Company equity awards until he or she satisfies the Non-Employee Director Stock Ownership Policy, there is no minimum time period required to achieve the guideline level of ownership required by this Non-Employee Director Stock Ownership Policy. Any non-employee director who does not comply with this Non-Employee Director Stock Ownership Policy will not be eligible for re-nomination as a director.

Director Term Limits

Our Board of Directors does not have a policy on term limits.

Committee Rotation Policy

Our Board of Directors adopted a board committee rotation policy pursuant to which the Corporate Governance Committee will consider our Board of Directors' preference for rotating committee chairs and committee members at no longer than five year intervals, including the chairman of the Board of Directors.

Executive Officers

The names of our executive officers, their ages, their positions with Star Equity, and other biographical information as of September 10, 2021, are set forth below. There are no family relationships among any of our directors or executive officers.

Name	Age	Position
Jeffrey E. Eberwein	51	Director, Executive Chairman of the Board
David J. Noble	51	Chief Operating Officer and Chief Financial Officer
Matthew G. Molchan	54	President and Chief Executive Officer of Digirad Health, Inc.

Jeffrey E. Eberwein. Mr. Eberwein's full biographical information is provided above under the heading "Our Board of Directors."

David J. Noble was hired as Chief Operating Officer of the Company in September 2018 to assist in its transformation from a pure play healthcare company into a diversified, multi-industry holding company. He was asked by the Board to take on the additional role of Chief Financial Officer in January 2019. Prior to joining the Company, Mr. Noble served as Managing Member of Noble Point LLC, a business and financial advisory firm. From July 2005 through September 2017, Mr. Noble was a senior investment banker at HSBC, serving as Managing Director & Head of Equity Capital Markets for the Americas for more than a decade. Prior to joining HSBC, Mr. Noble held various senior roles within Equity Capital Markets at Lehman Brothers, both in the U.S. and overseas, from August 1997 to July 2005. In his 20-year Wall Street career, Mr. Noble was involved in hundreds of equity transactions across a wide range of sectors, including healthcare, industrials, financial services, media, technology, and energy, among others. Mr. Noble earned a B.A. degree in Political Science from Yale University in 1992 and an M.B.A. in Finance from MIT's Sloan School of Management in 1997.

Matthew G. Molchan became President of Digirad Health, Inc., in October 2018 and a member of our Board of Directors on July 1, 2013. Effective January 1, 2021, Mr. Molchan assumed the additional position of Chief Executive Officer of Digirad Health, Inc. following his resignation as President and Chief Executive Officer of the Company, a position he held since July 1, 2013. In addition, Mr. Molchan served as our Interim Chief Financial Officer from April 10, 2018 until January 15, 2019. In connection with the Company's investment in Perma-Fix Medical, S.A. ("Perma-Fix Medical"), a publicly traded company listed on the NewConnect market of the Warsaw Stock Exchange and a majority-owned subsidiary of Perma-Fix Environmental Services, Inc. (NASDAQ: PESI), Mr. Molchan was appointed to the Supervisory Board of Perma-Fix Medical in December 2015. From February 2013 to July 2013, Mr. Molchan held the position of President of the Company. He was previously President, Digirad Imaging Solutions, Inc. from January 2012 to June 2013. Prior to that, he was Chief Operating Officer of Digirad Ultrascan Solutions from May 2007 to January 2012. He joined Digirad Ultrascan Solutions upon the acquisition of Ultrascan, Inc. ("Ultrascan") by us in May 2007. Prior to joining us, Mr. Molchan was the Chief Financial Officer for Ultrascan since he joined in 2003. Prior to Ultrascan, Mr. Molchan held various executive level business development, finance and operations positions at Somera, Inc. and Equifax, Inc. Mr. Molchan earned a B.S. degree in Economics from the United States Air Force Academy and an M.B.A. in finance from the University of Southern California.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information as of September 10, 2021, regarding the beneficial ownership of our common stock by (i) each person we know to be the beneficial owner of 5% or more of our common stock, (ii) each of our current named executive officers, (iii) each of our directors, and (iv) all of our current executive officers and directors as a group. Information with respect to beneficial ownership has been furnished by each director, executive officer or 5% or more stockholder, as the case may be. The address for all executive officers and directors is c/o Star Equity Holdings, Inc. 53 Forest Ave. Suite 101, Old Greenwich, Connecticut 06870.

Percentage of beneficial ownership is calculated based on 5,108,978 shares of common stock outstanding as of September 10, 2021. Beneficial ownership is determined in accordance with the rules of the SEC, which generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities and includes shares of our common stock issuable pursuant to the exercise of stock options, warrants, or other securities that are immediately exercisable or convertible or exercisable or convertible within 60 days of September 10, 2021. Unless otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them.

Named Executive Officers and Directors:	**Number of Shares Beneficially Owned**	**Percent of Shares Beneficially Owned**
Jeffrey E. Eberwein (1)	194,571	3.81%
Matthew G. Molchan (2)	39,376	*
John W. Sayward (3)	36,057	*
Michael A. Cunnion (4)	34,155	*
Mitchell I. Quain (5)	74,886	1.47%
David J. Noble (6)	69,624	1.36%
John W. Gildea (7)	11,100	*
All Executive Officers and Directors as a group (7 persons)(8)	459,769	8.97%

* Indicates beneficial ownership of less than 1% of the outstanding common stock

(1) Includes (a) 194,571 shares of common stock held by Mr. Eberwein.

(2) Includes (a) 4,131 shares of common stock subject to options exercisable within 60 days of September 10, 2021, (b) 34,245 shares of common stock held by Mr. Molchan, and (c) 1,000 shares of common stock underlying the warrants exercisable within 60 days of September 10, 2021.

(3) Includes (a) 36,057 shares of common stock held by Mr. Sayward.

(4) Includes (a) 31,655 shares of common stock held by Mr. Cunnion, and (b) 2,500 shares of common stock underlying the warrants exercisable within 60 days of September 10, 2021.

(5) Includes (a) 74,886 shares of common stock held by Mr. Quain.

(6) Includes (a) 59,624 shares of common stock held by Mr. Noble and (b) 10,000 shares underlying warrants exercisable within 60 days of September 10, 2021.

(7) Includes (a) 11,100 shares of common stock held by Mr. Gildea.

(8) Includes (a) 4,131 shares of common stock subject to options exercisable within 60 days of September 10, 2021, (b) 13,500 shares underlying warrants exercisable within 60 days of September 10, 2021. and (c) 442,138 shares of common stock held by our 7 executive officers and directors.

PROPOSAL 1: ELECTION OF DIRECTORS

Our Board of Directors currently consists of five members. Effective upon the election of directors at the Annual Meeting, the number of directors on our Board of Directors will be fixed at five. Mr. Molchan will not be standing for re-election to the Board of Directors at the Annual Meeting. Upon the recommendation of the Corporate Governance Committee, our Board of Directors has nominated each of the following five persons to be elected to serve until the 2022 annual meeting of stockholders and until his successor is duly elected and qualified. Each of the nominees (i) currently serves on our Board of Directors; (ii) has consented to being named in this Proxy Statement; and (iii) has agreed to serve as a director if elected. As of the date of this Proxy Statement, our Board of Directors is not aware of any nominee who is unable or will decline to serve as a director.

THE BOARD OF DIRECTORS RECOMMENDS USING THE ENCLOSED PROXY CARD TO VOTE FOR THE FIVE NOMINEES LISTED BELOW

Nominees for Election to the Board of Directors

Name	Age	Position
Jeffrey E. Eberwein	51	Director, Executive Chairman of the Board
Michael A. Cunnion	51	Director
John W. Sayward	69	Director
Mitchell I. Quain	69	Director
John W. Gildea	78	Director

The five nominees standing for election who receive the greatest number of votes cast at the Annual Meeting will be elected as Directors.

Information about the Company's Director Nominees

Set forth below are descriptions of the backgrounds of each nominee and their principal occupations for at least the past five years and their public-company directorships as of the Record Date. There are no family relationships among any of our directors or executive officers. All ages are as of September 10, 2021.

In addition to the information presented below regarding each nominee's specific experience, qualifications, attributes and skills that led our Board of Directors to the conclusion that he should serve as a director, we also believe that all of our director nominees have a reputation for integrity, honesty and adherence to high ethical standards. They each have demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment of service to Star Equity and our Board of Directors.

Jeffrey E. Eberwein Age 51 Director since 2012

Chief Executive Officer of Hudson Global Inc. ("Hudson") and Executive Chairman of Star Equity Holdings, Inc.

Mr. Eberwein assumed the position of Executive Chairman of the Board of the Company on January 1, 2021, after serving as Chairman of the Board since February 6, 2013. As Executive Chairman, Mr. Eberwein became the Company's principal executive officer. Mr. Eberwein has served as a director of Hudson since May 2014 and as its Chief Executive Officer since April 1, 2018. He has 25 years of Wall Street experience, and has valuable public company and financial expertise gained through his employment history and directorships. Prior to founding Lone Star Value Management, LLC ("LSVM"), a Connecticut based exempt reporting advisor, an investment firm he founded in 2013, Mr. Eberwein was a private investor and served as a portfolio manager at Soros Fund Management from 2009 to 2011 and Viking Global Investors from 2005 to 2008. LSVM was a wholly owned subsidiary of ATRM Holdings, Inc. ("ATRM") when ATRM, a modular building company, was acquired by the Company on September 10, 2019 (the "ATRM Acquisition" or the "ATRM Merger"). Previously, Mr. Eberwein served as chairman of the board of Ameri Holdings, Inc. from May 2015 to August 2018. Mr. Eberwein also previously served as a director of Novation Companies, Inc. from April 2015 to March 2018; Crossroads Systems, Inc. from June 2013 to May 2016; NTS, Inc. from December 2012 to June 2014; On Track Innovations Ltd. from 2012 to 2014; and Goldfield Corporation from 2012 to 2013. Mr. Eberwein earned an M.B.A. from The Wharton School, University of Pennsylvania and a B.B.A. with High Honors from The University of Texas at Austin.

We believe Mr. Eberwein's expertise in finance and experience in the investment community, along with his extensive experience, qualifications, attributes and skills make him well qualified to serve as a director of our Company.

On February 14, 2017, the Securities and Exchange Commission ("SEC") issued an order (Securities Exchange Act Release No. 80038) (the "Order") relating to allegations that certain groups of investors failed to properly disclose ownership information during a series of five campaigns to influence or exert control over microcap companies. The Order alleged violations of Section 13(d)(1) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rule 13d-1 thereunder, Section 13(d)(2) of the Exchange Act and Rule 13d-2(a) thereunder and Section 16(a) of the Exchange Act and Rules 16a-2 and 16a-3 thereunder by Mr. Eberwein and a hedge fund adviser headed by him, LSVM, a mutual fund adviser and another investor. Without admitting or denying the findings, they consented to the Order and agreed to cease and desist from committing any violations of the above-referenced Exchange Act provisions and civil penalties of $90 thousand for Mr. Eberwein, $120 thousand for LSVM, $180 thousand for the mutual fund advisor and $30 thousand for the other investor. On February 24, 2020, the SEC issued an order (Securities Exchange Act Release No. 5448) (the "Advisers Act Order") relating to allegations, among other things, that LSVM failed to properly disclose certain specific transactions in advance and obtain client consent for these transaction prior to their completion and that LSVM failed to implement certain written policies and procedures. The Advisers Act Order alleged violations of Section 206(3) and 206(4) of the Investment Advisers Act of 1940 ("Advisers Act") and Rule 206(4)-7 thereunder by Mr. Eberwein and LSVM. Without admitting or denying the findings, they consented to the Advisers Act Order and agreed to cease and desist from committing or causing any violations of the above-referenced Advisers Act provisions, for LSVM to be censured and to pay civil penalties of $25 thousand for Mr. Eberwein and $100 thousand for LSVM.

Michael A. Cunnion Age 51 Director since 2014

President and Chief Executive Officer, Remedy Health Media

Committees: Audit, Compensation (Chairman) and, Corporate Governance

Mr. Cunnion has an extensive history of leadership roles at healthcare media and communication companies. Since September 2008, Mr. Cunnion has been Chief Executive Officer of Remedy Health Media, a privately held health media company. In addition, prior to that, from January 2004 to December 2007, Mr. Cunnion was the President of privately held HealthTalk, a leading provider of tools and information for chronically ill patients and caregivers. Mr. Cunnion successfully built this company and subsequently sold it to Revolution Health in December 2007. Subsequent to this sale, Mr. Cunnion took on the role of Executive Vice President of Revolution Health, where he oversaw revenue and sales strategy until Revolution Health merged with Everyday Health. Prior to HealthTalk, from December 1998 to December 2003, Mr. Cunnion held the role of Senior Director, Consumer Marketing at WebMD, where he led consumer sales strategy, product development and advertising operations. Mr. Cunnion currently serves on the board of directors of Health-e-Commerce, a healthcare e-commerce platform that simplifies healthcare purchasing for consumers, employers and benefit administrators. This is a post that he has held since 2011. Mr. Cunnion earned a B.A. degree in English from Florida State University.

We believe that Mr. Cunnion's extensive experience with health care media companies, coupled with his experience with building up companies and creating ownership value are of significant strategic importance to us and make him well qualified to serve on our Board of Directors. His history of creating and leveraging collaborative relationships with the companies he has been part of to maximize value in both the continued organic growth and sale of such companies can be of great benefit to our stockholders.

John W. Sayward Age 69 Director since 2008

Retired Partner, Nippon Heart Hospital LLC

Committees: Audit (Chairman), Compensation, and Corporate Governance

John W. Sayward is a career health care and pharmaceutical executive. Most recently, he served as Chief Executive Officer for Hera Therapeutics Inc., a position he held through June 2015. Prior to this, Mr. Sayward served as the Chief Operating Officer and Chief Financial Officer of Hera Therapeutics Inc. since September 2014. Previously, he was Partner at Nippon Heart Hospital, LLC from September 2005 to January 2007, which was formed to build and manage cardiovascular care hospitals in Japan. From 2002 to 2005, Mr. Sayward was the Executive Vice President and Chief Financial Officer of LMA North America Inc., a medical device business focused on patient airway management. From 1996 to 2001, Mr. Sayward served as the Executive Vice President of Finance, Chief Financial Officer and Treasurer of SICOR Inc., and was elected to its board of directors in 1998. Previous to the above, he served in various management positions with Baxter Healthcare. He received a B.A. in History from Northwestern University in 1973 and a Master of Management from the Kellogg School of Management at Northwestern University in 1975.

We believe that Mr. Sayward's past experiences in the health care industry, both in medical devices and pharmaceuticals, makes him well qualified to serve on our Board of Directors. Further, Mr. Sayward's depth and breadth of positions and experiences also makes him well qualified to serve as a financial expert and audit committee chairman.

Mitchell I. Quain Age 69 Director since 2019
Industrialist

Committees: Compensation and Corporate Governance (Chairman)

Mr. Quain joined the board of the Company in January, 2019 and became lead independent director on January 1, 2021. He is a member of the Executive Council at American Securities, having retired as a Partner at One Equity Partners. A Chartered Financial Analyst and "Financial Expert", he serves on the Board of Directors of AstroNova, Inc., Kensington Acquisitions II and V, Star Equity Holdings and Williams Industrial Holdings. Previously, he served on the Boards of publicly traded DeCrane Aircraft Holdings, Inc., Handy and Harmon Inc., Hardinge, Inc., HEICO Corporation, Jason Industries, Kensington Acquisitions, MagneTek, Inc., Mechanical Dynamics, Inc., RBC Bearings, Inc., Strategic Distribution, Tecumseh Products Company, Titan International, Xerium, Inc., was Executive Chairman of the Board of Register.com and a Senior Advisor at Carlyle Group.

He is Chairman Emeritus of the Board of Overseers of The University of Pennsylvania's School of Engineering and Applied Sciences and has served for 10 years on Penn's Board of Trustees. He has served for 9 years on the Board and Executive Committee of Penn Medicine, a $4 billion enterprise. He is also a member of the Board of Trustees of Curry College, in Milton, Massachusetts. Other affiliations include The Penn Club of New York, where he has served on its Board of Governors, The Highfields Golf Club and The Mar-a-Lago Club. He is on the Board of Directors of the Palm Beach Zoological Society. Meanwhile, last year he became the Managing Partner of Uncle Louie G Florida, a franchiser of Italian Ices Shops in Florida.

He was born and raised in the New York City area; received his B.S. in electrical engineering from the University of Pennsylvania in 1973 and his MBA with distinction from Harvard Business School in 1975.

He joined the research department of Wertheim & Company in June 1975, and chose machinery as his specialty, having worked for a summer at United Engineers & Contractors, in Philadelphia. He appeared on Institutional Investor magazine's All American research team for fifteen years, "retiring" from research in 1995 while holding the "number one" ranking. Meanwhile, he became a partner in Wertheim in 1984, and in 1995 joined its operating committee, having assumed responsibility for the equity capital markets department. He left the firm in early 1997, joined Furman Selz as an Executive Vice President and a member of its Board of Directors. There he built Wall Street's second industrial manufacturing group ("the Golden Gear,") having begun its first at Wertheim ("In Rust We Trust"). He left the "sellside" in 2001, retiring as Vice Chairman of ABN AMRO.

Mr. Quain brings to the Board experience in public company governance and investment experience in small-cap and industrial companies, which gives him a valuable perspective in his role as a director. His qualifications to serve as a director also include his private equity investment experience.

John W. Gildea Age 78 Director since 2021

Retired Principal, Gildea Management Co.

Committees: Audit

Mr. Gildea brings over three decades of experience investing in special situation debt and equity of small to middle market companies. He is the founding partner of Gildea Management Co, the general partner of The Network Funds. The fund focus was investing and sponsoring special situation investments in public and private companies, primarily in the United States. His previous experience includes a joint venture of Gildea Management with J.O. Hambro Capital Management Co. to manage accounts targeting high yield debt and small capitalization equities. He was also founder of Latona Europe, a joint venture based in Prague seeking restructuring opportunities in Central Europe. Before forming Gildea Management, Mr. Gildea managed the Corporate Services Group at Donaldson, Lufkin and Jenrette, an investment banking firm.

Throughout his extensive career, Mr. Gildea has served on a range of public and private corporate boards. Previously, he served on the board and board committees of the following companies: America Service Group, Inc.; Amdura Corp.; American Healthcare Management, Inc.; America Opportunities Fund; Country Pure Juice; Gentek, Inc.; General Chemical Group, Inc.; Hain Food Group, Inc.; International Textile Group, Inc.; Konover Property Trust, Inc.; Misonix, Inc.; Shearers Foods; Sothic Capital, Sterling Chemicals, Inc.; Trident North Atlantic Fund, and UNC, Inc. Mr. Gildea received a Bachelor of Arts degree from the University of Pittsburgh.

Mr. Gildea brings to the Board experience in public company governance and investment experience in small-cap and industrial companies, which gives him a valuable perspective in his role as a director. His qualifications to serve as a director also include his private equity investment experience.

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE ELECTION AS DIRECTOR OF EACH NOMINEE LISTED ON THE PROXY CARD.

AUDIT COMMITTEE REPORT

The following is the report of the Audit Committee with respect to Star Equity's audited financial statements for the year ended December 31, 2020.

The purpose of the Audit Committee is to assist the Board of Directors in its general oversight of Star Equity's financial reporting, internal controls and audit functions. The Audit Committee does not itself prepare financial statements or perform audits, and its members are not auditors or certifiers of the Company's financial statements. In fulfilling its oversight responsibility of appointing and reviewing the services performed by the Company's independent registered public accounting firm, the Audit Committee carefully reviews the policies and procedures for the engagement of the independent registered public accounting firm, including the scope of the audit, audit fees, auditor independence matters and the extent to which the independent registered public accounting firm may be retained to perform non-audit related services.

The Company maintains an auditor independence policy that bans its auditors from performing non-financial consulting services, such as information technology consulting and internal audit services. This policy mandates that the Audit Committee approve the audit and non-audit services and related budget in advance, and that the Audit Committee be provided with quarterly reporting on actual spending. This policy also mandates that the Company may not enter into auditor engagements for non-audit services without the Audit Committee's express approval. The Audit Committee charter describes in greater detail the full responsibilities of the Audit Committee and is available on our website at www.starequity.com. The Audit Committee is comprised solely of independent directors as defined by Rule 5605(a)(2) of the NASDAQ listing standards.

The Audit Committee met on four occasions in 2020. The Audit Committee met privately in executive session with BDO USA, LLP ("BDO") as part of each regular meeting and held private meetings with the Chief Financial Officer and other officers of Star throughout the year.

In accordance with the Audit Committee charter and the requirements of law, the Audit Committee pre-approves all services to be provided by Star Equity's independent auditors, BDO. Pre-approval is required for audit services, audit-related services, tax services and other services.

The Audit Committee has reviewed and discussed the audited financial statements for the year ended December 31, 2020 with the Company's management and BDO, the Company's independent registered public accounting firm. The Audit Committee has also discussed with BDO the matters required to be discussed by Auditing Standard No. 1301, "Communications with Audit Committees" issued by the Public Company Accounting Oversight Board ("PCAOB"). The Audit Committee also has received and reviewed the written disclosures and the letter from BDO required by applicable requirements of the PCAOB regarding BDO's communications with the Audit Committee concerning independence, and has discussed with BDO its independence from the Company.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the financial statements referred to above be included in the Annual Report for filing with the SEC.

AUDIT COMMITTEE

John W. Sayward, Chairman
John W. Gildea
Michael A. Cunnion

PROPOSAL 2: RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

The Audit Committee of our Board of Directors is responsible for the appointment, compensation, retention and oversight of the work of our independent registered public accounting firm. The Audit Committee is considering BDO USA, LLP ("BDO") to serve as the Company's independent registered public accounting firm. BDO has audited our financial statements since the fiscal year ended December 31, 2015. While it is not required to do so, the Audit Committee is submitting to stockholders for ratification the selection of BDO as the Company's independent registered public accounting firm for the year ending December 31, 2021. Notwithstanding ratification of the selection of BDO to serve as the Company's independent registered public accounting firm, the Audit Committee will be under no obligation to select BDO as the Company's independent registered public accounting firm.

Representatives of BDO will attend the Annual Meeting, will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

During the Company's three most recent fiscal years, neither the Company nor anyone on its behalf consulted with BDO regarding either: (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's consolidated financial statements, and no written report or oral advice was provided to the Company that BDO concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was the subject of a "disagreement" or "reportable event" (within the meaning of Item 304(a)(1)(iv) of Regulation S-K and Item 304(a)(1)(v) of Regulation S-K, respectively).

Principal Accounting Fees

In connection with the audit of the 2020 financial statements, we entered into an engagement agreement with BDO that sets forth the terms by which BDO has performed audit and related professional services for us.

The following tables set forth the aggregate accounting fees paid by us to BDO for the past two fiscal years ended December 31, 2020 and 2019.

	For the years ended December 31	
Type of Fee	**2020**	**2019**
	(in thousands)	
Audit Fees	$ 733	$ 786
Audit-Related Fees	—	—
Tax Fees	311	139
Totals	$ 1,044	$ 925

No other accounting firm was retained to perform the identified accounting work for us. All non-audit related services in the tables above were pre-approved and/or ratified by the Audit Committee.

Types of Fees Explanation

Audit Fees. Audit fees were incurred for accounting services rendered for the audit of our annual consolidated financial statements and reviews of quarterly consolidated financial statements, as well as fees associated with consents for registration statement filings.

Audit-Related Fees. These fees relate to professional services not included in the Audit Fees category and include professional services related to entering into other advisory services. There were no Audit-Related Fees billed for fiscal years ended December 31, 2020 and 2019.

Tax Fees. These fees were billed to us for professional services relating to tax compliance, tax advice and tax planning.

All Other Fees. There were no other fees billed by BDO for the years 2020 and 2019 for products and services.

Audit Committee Pre-Approval of Services by Independent Registered Public Accounting Firm

The Audit Committee is granted the authority and responsibility under its charter to pre-approve all audit and non-audit services provided to the Company by its independent registered public accounting firm, including specific approval of internal control and tax-related services. In exercising this responsibility, the Audit Committee considers whether the provision of each professional accounting service is compatible with maintaining the audit firm's independence.

Pre-approvals are detailed as to the category or professional service and when appropriate are subject to budgetary limits. Company management and the independent registered public accounting firm periodically report to the Audit Committee regarding the scope and fees for professional services provided under the pre-approval.

With respect to the professional services rendered, the Audit Committee had determined that the rendering of all non-audit services by our independent registered public accounting firm were compatible with maintaining the auditor's independence and had pre-approved all such services.

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF BDO USA, LLP AS OUR INDEPENDENT AUDITORS FOR THE FISCAL YEAR ENDING DECEMBER 31, 2021.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table provides information regarding the compensation earned during the fiscal years ended December 31, 2020 and 2019 by (i) our principal executive officer, (ii) our two other most highly compensated executive officers (other than our principal executive officer) who were serving as executive officers as of December 31, 2020, and (iii) up to two additional individuals for whom disclosure would have been provided pursuant to the preceding clause (ii) but for the fact that the individual was not serving as an executive officer of the Company at the end of the calendar year ended December 31, 2020 (the "named executive officers").

Name and Principal Position	Year	Salary ($) (1)	Bonus ($) (2)	Stock Awards ($) (3) (4)	Nonequity Incentive Plan Compensation ($)(5)	All Other Compensation ($) (6)	Total ($)
David J. Noble	2020	293,077	150,000	—	—	3,500	446,577
Chief Operating Officer and Chief Financial Officer	2019	301,154	—	200,000	191,114	3,500	695,768
Matthew G. Molchan	2020	405,619	—	—	—	3,500	409,119
President, Chief Executive Officer of Digirad Health, Inc.*	2019	416,797	—	103,800	285,662	3,500	809,759
Martin B. Shirley	2020	254,000	65,000	—	—	3,500	322,500
President, Diagnostic Imaging Solutions	2019	261,000	—	65,000	165,632	1,303	492,935

*Mr. Molchan resigned from his positions as President and Chief Executive Officer of the Company effective January 1, 2021, and assumed the additional position of Chief Executive Officer of Digirad Health Inc. effective that same day. Effective January 1, 2021, Mr. Eberwein assumed the position of Executive Chairman of the Board and as such became the Company's principal executive officer.

(1) The base salary for each executive is initially established through negotiation at the time the executive is hired, taking into account his or her scope of responsibilities, qualifications, experience, prior salary, and competitive salary information within our industry. Year-to-year adjustments to each executive officer's base salary are determined by an assessment of his or her sustained performance against individual goals, including leadership skills and the achievement of high ethical standards, the individual's impact on our business and financial results, current salary in relation to the salary range designated for the job, experience, demonstrated potential for advancement, and an assessment against base salaries paid to executives for comparable jobs in the marketplace. Based on the factors discussed above, 2020 base salaries were: Mr. Noble's 2020 base salary was set at $300,000, which represented no change from his 2018 base salary; with a 20% reduction from April 6, 2020 to May 15, 2020, the total for 2020 was $293,077; Mr. Molchan's 2020 base salary was initially set at $415,200 from his last adjustment in February 2017, with a 20% reduction from April 6, 2020 to May 15, 2020, the total for 2020 was $405,619; Mr. Shirley's 2020 base salary was initially set at $260,000 from his last adjustment in February 2017, with a 20% reduction from April 6, 2020 to May 15, 2020, the total for 2020 was $254,000. The differences between base and actual salary are due to pay period timing differences at year end.

(2) The 2020 Executive Incentive Plan for fiscal year ended December 31, 2020 (the "2020 Annual Plan"), which provides for discretionary bonuses, is described below in the Narrative Disclosure to Summary Compensation Table.

(3) Represents full fair value at grant date of restricted stock units ("RSUs"), including the PSUs described below, representing the right to receive, at settlement, common stock of the Company, granted to our named executive officers, computed in accordance with FASB ASC Topic 718, *Stock Compensation*. The full grant date fair value of an equity award is the maximum value that may be received over the vesting period if all vesting conditions are satisfied, as discussed further below. Thus, there is no assurance that the value, if any, eventually received by our executive officers will correspond to the amount shown. For information regarding assumptions made in connection with this valuation, please see Note 13. *Share-Based Compensation* to our consolidated financial statements found in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 filed on March 29, 2021.

(4) Represents the stock awards granted in 2019 as part of the Company's executive incentive plan for that year (described below), were RSUs with performance conditions (PSUs), which vest ratably over two years subject to continued employment and achievement of the performance conditions for 2019 as determined by the Compensation Committee. No stock awards with performance conditions were granted in 2020 as part of the Company's executive incentive plan for that year. The performance conditions for the 2019 PSUs were achieved at 100% of the Board approved budgeted EBITDA, excluding certain predetermined items, for the year ended December 31, 2019 and 2020, and the 2019 PSUs vested accordingly. The performance metrics for the 2019 performance period, and a grant date fair value for those tranches of the awards, were established by the Board and Compensation Committee on April 30, 2019. As of the grant date, the Company believed that it was probable that the performance criteria would be met and that each individual would remain employed through the date the grant would become fully vested by its terms, and accordingly, the full value of the awards as of the grant date has been included in the table above in accordance with FASB ASC 718. The performance conditions for 2019 were met. As such, the grant date fair values of the 2019 PSU awards were $0.1 million, and $0.07 million for Mr. Molchan and Mr. Shirley, respectively. The amount of PSUs vests in 2020 totaled 11,580 units. The RSU grant to Mr. Noble was made according to the terms of the Noble Employment Agreement (described below). The Company did not grant any stock awards to its named executive officers in 2020.

(5) Represents amounts earned under the Executive Incentive Plans of the Company with performance targets.

(6) Amounts shown for 2020 and 2019 include up to $2,500 matching contributions to the officers' 401(k) retirement plans and up to $1,000 seed contribution to the executive's Health Saving Account plans.

Narrative Disclosure to Summary Compensation Table

Base Salary. The base salary for each executive is initially established through negotiation at the time the executive is hired, taking into account his or her scope of responsibilities, qualifications, experience, prior salary, and competitive salary information within the industry. Year-to-year adjustments to each executive officer's base salary are determined by an assessment of his or her sustained performance against individual goals, including leadership skills and the achievement of high ethical standards, the individual's impact on the Company's business and financial results, current salary in relation to the salary range designated for the job, experience, demonstrated potential for advancement, and an assessment against base salaries paid to executives for comparable jobs in the marketplace.

When determining the base salary component of executive compensation for 2020, the Compensation Committee considered the achievements of the executives in 2019 based on actual financial performance of the business and achievement of the goals set by the Board of Directors for the individual executive, the fiscal 2020 budget and financial performance expectations, the totality of all compensation components. After due consideration, the Compensation Committee set compensation as reflected in the Summary Compensation Table above.

Annual Incentive Bonus. Payments under the Company's executive bonus plan are based on achieving clearly defined, short-term goals, with the 2020 Annual Plan (described below) being the exception because it only provided for discretionary bonuses. We believe that such bonuses provide incentive to achieve goals that the Company aligns with its stockholders' interests by measuring the achievement of these goals, whenever possible, in terms of revenue, income or other financial objectives. In setting bonus levels, the Company reviews its annual business plan and financial performance objectives. After estimating the likely financial results of the business plan as submitted by management and approved by the Board of Directors, the Company sets financial threshold goals based on those estimated results primarily in terms of EBITDA. The Company sets the minimum performance thresholds that must be reached before any bonus is paid at levels that will take significant effort and skill to achieve. An executive officer's failure to meet some or all of these personal goals can affect his or her bonus amount. The Company believes that offering significant potential income in the form of bonuses allows the Company to attract and retain executives and to align their interests with those of the Company's stockholders.

Fiscal Year 2020.

Due to the unprecedented and unpredictable nature of the COVID-19 pandemic, the Company's executive team was pushed to new limits and was compelled to be creative, flexible, thoughtful, proactive and diligent in implementing decisions regarding the best way to meet the needs and expectations of our customers, our employees and our vendors, and our traditional bonus measures did not encompass or reward the effort being put forth during the pandemic. As a result, the 2020 Annual Plan was made 100% discretionary and based on subjective objectives to be determined by the Board. The actual cash bonuses payable (if any) for the achievement of such objectives was determined by the Compensation Committee.

The cash bonus amounts under the 2020 Annual Plan were as follows.

Name and Principal Position*	Percentage of Base Salary	Bonus Payout
David J. Noble, Chief Financial Officer and Chief Operating Officer	50 %	$ 150,000
Martin B. Shirley, President, Digirad Imaging Solutions	25 %	$ 65,000

*Mr. Molchan did not receive a discretionary cash bonus under the 2020 Annual Plan.

Equity Grants

The Company did not grant any stock awards to its named executive officers in 2020.

In connection with the adoption of the 2019 Executive Incentive Plan for fiscal year ended December 31, 2019 (the "2019 Annual Plan"), the Compensation Committee determined that, as part of a long-term retention mechanism and to incentivize the executive officers to increase the Company's shareholder value, the following RSUs were awarded effective on May 15, 2019 (the "2019 Grant Date"), to Messrs. Molchan, Noble, and Shirley.

The RSUs granted to Messrs. Molchan and Shirley vest over two years in two equal installments, with each such installment vesting on each anniversary of the 2019 Grant Date, subject to satisfaction of certain 2019 performance criteria objectives. Each RSU grant to Messrs. Molchan and Shirley was made pursuant to and subject to the terms of the 2019 Annual Plan, the Company's 2018 Incentive Plan, and the respective award agreement that sets forth the terms of the grant.

The RSU grant to Mr. Noble was made according to the terms of the Noble Employment Agreement (described below) and under the Company's 2018 Incentive Plan. Mr. Noble's RSU grant vests in three equal tranches. Mr. Noble did not receive an equity grants under the 2019 Annual Plan.

Name and Principal Position	Cash Value of the Restricted Stock Units Granted
David J. Noble, Chief Operating Officer and Chief Financial Officer	$ 200,000
Matthew G. Molchan, President and Chief Executive Officer of Digirad Health, Inc.	$ 103,800
Martin B. Shirley, President, Digirad Imaging Solutions	$ 65,000

Other Compensation

The Company currently maintains benefits for executive officers, that include medical, dental, vision and life insurance coverage and the ability to contribute to a 401(k) retirement plan; however, the Compensation Committee in its discretion may revise, amend or add to the officer's executive benefits if it deems it advisable. The benefits currently available to the executive officers are also available to other employees.

Outstanding Equity Awards at Fiscal Year-End

The following table presents the outstanding equity awards held by each of the named executive officers as of the fiscal year ended December 31, 2020, including the value of the stock awards.

			Option Awards				Stock Awards	
Name	Grant Date		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
David J. Noble	5/15/2019	(6)	—	—	—	—	9,146	32,834
Matthew G. Molchan	5/15/2019	(5)	—	—	—	—	7,120	25,561
	2/28/2018	(4)	—	—	—	—	2,655	9,531
	2/28/2017	(3)	—	—	—	—	1,049	3,766
	2/1/2016	(2)	4,131	—	51.20	2/1/2026	—	—
	1/29/2014	(1)	11,000	—	35.50	1/29/2021	—	—
Martin B. Shirley	5/15/2019	(5)	—	—	—	—	4,459	16,008
	2/28/2018	(4)	—	—	—	—	700	2,513
	2/28/2017	(3)	—	—	—	—	277	994
	2/1/2016	(2)	906	—	51.20	2/1/2026	—	—
	1/29/2014	(1)	4,000	—	35.50	1/29/2021	—	—

(1) 33 1/3% of the total number of shares subject to option vested on the first anniversary of the grant date, and the remaining shares vested quarterly over 24 months.

(2) Scheduled to vest as to 25% of the units on each of February 1, 2017, February 1, 2018, February 1, 2019, and February 1, 2020, with vesting of 50% of each such Restricted Stock Unit tranche to be further subject to the satisfaction of certain performance criteria to be determined and approved by the Compensation Committee with respect to each such period. These units are shown net of 50% of the performance-based units that were deemed not to be earned and were canceled as of December 31, 2018.

(3) 25% of the units vested on each of February 28, 2018, February 28, 2019, February 28, 2020 and February 28, 2021.

(4) 25% of the units vested on each of February 1, 2019, February 1, 2020 and February 1, 2021, with the remaining shares to February 1, 2022.

(5) 50% of the Restricted Stock Units vested on May 15, 2020 and the remaining shares vested 50% on May 15, 2021, with vesting of 50% of each such Restricted Stock Unit tranche subject to the satisfaction of certain performance criteria to be determined and approved by the Compensation Committee with respect to each such period.

(6) 66 2/3% of the units were vested as of May 15, 2020, and the remaining one third tranche of 33 1/3% of the units vested on May 15, 2021.

Potential Payments Upon Termination or Change of Control

David J. Noble

On October 31, 2018, the Company entered into an employment agreement with David J. Noble (the "Noble Employment Agreement").

Pursuant to the Noble Employment Agreement, Mr. Noble can be terminated for "cause," upon death, upon disability and without "cause." Under the Noble Employment Agreement, termination for "cause" generally means the termination of Mr. Noble's employment by reason of: (A) the willful failure of Mr. Noble to perform his duties and obligations in any material respect (other than any failure resulting from his disability), (B) intentional acts of dishonesty or willful misconduct by Mr. Noble with respect to the Company, (C) arrest or conviction of a felony or violation of any law involving dishonesty, disloyalty, moral turpitude, or fraud, or entry of a plea of guilty or nolo contendere to such charge, (D) Mr. Noble's commission at any time of any act of fraud, embezzlement or willful misappropriation of material Company property, (E) repeated refusal to perform the reasonable and legal instructions of the Board, (F) willful and material breach of his obligations under any material agreement entered into between Mr. Noble and the Company or any of its affiliates, or willful and material breach of the Company's polices or procedures which causes material damage to the Company, its business or reputation, provided that for subsections (A), (E), and (F), if the breach reasonably may be cured, Mr. Noble has been given at least thirty (30) days after his receipt of written notice of such breach from the Company to cure such breach. Termination without "cause" means termination for any reason other than death, disability, for "cause," or for no reason at all, upon sixty (60) days' written notice.

The Noble Employment Agreement provides for termination of Mr. Noble's employment upon his election by voluntary resignation or termination for good reason. Termination by voluntary resignation means Mr. Noble can terminate his employment with the Company at any time and for any reason whatsoever or for no reason at all in his sole discretion upon giving sixty (60) days' written notice. A termination for good reason means Mr. Noble can terminate his employment with the Company pursuant to the occurrence of any of the following events: (i) any material diminution in his authority, duties and responsibilities, (ii) any material reduction of his base salary, aggregate incentive compensation opportunities or aggregate benefits, unless such changes are applied to all members of the Company's leadership team and amount to less than a 10% reduction in total, or (iii) a material breach by the Company of the Noble Employment Agreement. In addition, either the Company or Mr. Noble can deliver to the other party a written notice of non-renewal at least sixty (60) days prior to the applicable renewal date of the Noble Employment Agreement.

In the event Mr. Noble voluntarily resigns, is terminated for "cause," is terminated upon death, or is terminated upon disability, he would be entitled to receive: (i) his then current salary accrued up to and including the date of termination or resignation, (ii) unreimbursed expenses, and (iii) any vested payment or accrued benefits under any equity or Company benefit plan (the "Accrued Obligations"). In March 2021, Mr. Noble agreed by letter that all future RSU awards under the Noble Employment Agreement would vest one-third on each of the first, second and third anniversaries of the grant date.

In the event Mr. Noble terminates his employment for good reason, his employment is terminated without "cause," or his employment is terminated by delivery of a non-renewal notice by the Company, he would be entitled to receive: (i) the Accrued Obligations (described above), (ii) a target bonus based on the target bonus metrics used to determine actual performance at the end of the fiscal year, but prorated to reflect the number of full months worked during the fiscal year, (iii) immediate vesting of any RSUs awarded under the Noble Employment Agreement for which the performance period has not been completed as of the date of termination based on the level of achievement of the performance goals at the end of the performance period, but pro-rated based on the number of full months worked during the performance period, and (iv) immediate vesting of any RSUs awarded under the Noble Employment Agreement which are outstanding as of the date of termination. Notwithstanding the foregoing, if within twelve (12) months following a change of control (as defined in the Noble Employment Agreement), the Company terminates Mr. Noble's employment without "cause," he resigns from his employment with good reason, or his employment terminates due to Company's delivery of a non-renewal notice, then the bonus payment under (ii) above shall equal the equivalent of his target bonus without proration and, in addition to (iii) and (iv) above, he shall receive (v) twelve months of his then-current base salary.

If Mr. Noble's employment was terminated without "cause" as of December 31, 2020, he would have been entitled to receive: (i) a cash payment in the amount of $4,615, (ii) and immediate vesting of equity awards described below under the heading "Equity Awards."

If Mr. Noble's employment was terminated in connection with a change of control as of December 31, 2020, he would have been entitled to receive: (i) a cash payment in the amount of $300,000, (ii) and immediate vesting of equity awards described below under the heading "Equity Awards."

Matthew G. Molchan

On May 1, 2007, the Company entered into an employment agreement with Mr. Molchan, which agreement was amended on September 30, 2010 (as amended, the "Molchan Employment Agreement").

Pursuant to the Molchan Employment Agreement, Mr. Molchan can be terminated for "cause" or without "cause." Under the Molchan Employment Agreement, termination for "cause" generally means the termination of Mr. Molchan's employment by reason of: (i) willful misconduct or gross negligence in the performance of duties in the employment agreement; (ii) willful failure or refusal to perform in the usual manner at the usual time those duties which he regularly and routinely performs in connection with the Company's business or such other duties reasonably related to the capacity in which he is employed which may be assigned to him if such failure or refusal has not been substantially cured; (iii) performance of any material action when specifically and reasonably instructed not to do; (iv) engaging or in any manner participating in any activity which is directly competitive with or intentionally injurious to the Company; (v) commission of any fraud, or unauthorized use or appropriation for his personal use or benefit of any funds, properties or opportunities of the Company; (vii) willful or grossly negligent violation of the Code of Ethics of the Company. Termination without "cause" means the termination of Mr. Molchan's employment without "cause" at any time without liability for any reason not specified as a termination for "cause" upon not less than thirty (30) days written notice to Mr. Molchan.

Accordingly, if Mr. Molchan is terminated for "cause" before the last day of any calendar month, he would be entitled to receive compensation for such calendar month at his then current salary prorated to the date of termination on the basis of a 30-day calendar month. He would not be entitled to receive any severance payment. If Mr. Molchan is terminated without "cause," he would be entitled to receive (i) his then current salary and the prorated amount of any accrued but unpaid performance bonus up to and including the date of termination, and (ii) a severance payment equal to six months of his then current salary.

If Mr. Molchan's employment was terminated without "cause" as of December 31, 2020, Mr. Molchan would be entitled to receive $290,640.

Equity awards that would have vested upon termination or change of control at December 31, 2020, are described below under the heading "Equity Awards."

Martin B. Shirley

On January 28, 2014, the Company entered into a severance agreement with Martin B. Shirley (the "Shirley Severance Agreement"). In the event his employment with the Company is terminated without "cause" (as defined below), he would receive a severance payment in an amount equal to six months of his base salary as in effect immediately prior to his termination date. In the event Mr. Shirley's employment with the Company is terminated for "cause" or if he voluntarily terminates his employment with the Company, he will not be entitled to receive a severance payment. Assuming that Mr. Shirley's employment was terminated without "cause" as of December 31, 2020, he would have been entitled to receive severance payments of $130,000.

Under the Shirley Severance Agreement, "cause" generally includes the occurrence of any of the following events: (i) the willful and deliberate failure to perform assigned duties or responsibilities to the Company or the lawful directions of his supervisor after notice from the Company describing his failure to perform such duties or responsibilities and a reasonable time to cure such failure; (ii) engaging in any act of dishonesty, fraud or misrepresentation in connection with his duties; (iii) a willful act constituting gross misconduct that is materially injurious to the Company; (iv) any act of embezzlement against the Company; (v) the breach of any confidentiality agreement or invention assignment agreement or any other written agreement with the Company; or (vi) his indictment for or conviction of, or entering a plea of *nolo contendere* to, a felony.

Equity awards that would have vested upon termination or change of control at December 31, 2020, are described below under the heading "Equity Awards."

Equity Awards

The equity agreements of our named executive officers provide that, in case of a change of control of the Company, all equity instruments then outstanding but neither assumed nor replaced by the successor entity shall vest immediately upon the change of control event. Further, if an executive's employment is terminated without cause within twelve (12) months of the change of control, all equity instruments then outstanding, either assumed or replaced, shall become fully vested at the time of termination. As of December 31, 2020, the value of the equity instruments of our named executive officers that would accelerate upon (i) termination without cause within twelve (12) months of a change of control in which stock options and restricted stock units are assumed or replaced by the successor entity, or (ii) a change of control in which the outstanding stock options and restricted stock units are neither assumed or replaced by the successor entity, would be as follows based on the difference between the closing price on the last trading day of the year of $3.59 per share and the exercise price of the respective options, and with regard to restricted stock units, based solely on the closing price on the last trading day of the year of $3.59:

Name	Option Value as of December 31, 2020	Stock Award Value as of December 31, 2020
David J. Noble	$ —	$ 32,834
Matthew G. Molchan	$ —	$ 38,858
Martin B. Shirley	$ —	$ 19,515

Securities Authorized for Issuance Under Equity Compensation Plans

	Equity Compensation Plan Information		
	As of December 31, 2020		
Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants, and rights (b)(2)	Number of securities remaining available for future issuance under equity compensation plans (excluding shares reflected in column (a)) (c)
Equity compensation plans approved by security holders	116,013 (1)	$20.93	368,334 (3)
Equity compensation plans not approved by security holders	—	—	—
Total	116,013	$20.93	368,334

(1) This amount includes the following:

- 35,371 shares issuable upon the exercise of outstanding stock options under the Company's 2004 Stock Incentive 7 Year Plan, the 2004 Stock Incentive Plan, and the 2014 Equity Incentive Award Plan (the "2014 Incentive Plan"), with a weighted-average exercise price of $36.83.
- 47,317 RSUs granted under the 2014 Incentive Plan and 2018 Incentive Plan.
- 33,325 PSUs granted under the 2018 Incentive Plan. Outstanding performance-based PSUs met the target in 2019.

(2) The 2014 Incentive Plan and 2018 Incentive Plan RSUs and PSUs have been excluded from the computation of the weighted-average exercise price since these awards have no exercise price.

(3) This amount represents the number of shares available for issuance pursuant to stock options and other awards that could be granted in the future under the 2018 Incentive Plan, as amended July 31, 2020 in order to increase the number of shares authorized for issuance thereunder. The 2018 Incentive Plan allows for issuance of up to the sum of (i) 450,000 shares, plus (ii) the number of shares of common stock of the Company which remain available for grants of options or other awards under the 2014 Incentive Plan as of April 27, 2018, plus (iii) the number of shares that, after April 27, 2018, would again become available for issuance pursuant to the reserved share replenishment provisions of the 2014 Incentive Plan as a result of, stock options issued thereunder expiring or becoming unexercisable for any reason before being exercised in full, or, as a result of restricted stock being forfeited to the Company or repurchased by the Company pursuant to the terms of the agreements governing such shares (the shares described in clauses (ii) and (iii) of this sentence, the "Carryover Shares"). As of December 31, 2020, there were 59,620 Carryover Shares.

COMPENSATION OF DIRECTORS

Cash Retainer Compensation

Non-employee members of our Board of Directors are paid an annual cash retainer for their service, with additional compensation for being the chairperson of the Board, serving on a committee of the Board of Directors and chairing a committee of the Board of Directors. Payments are made quarterly.

The compensation paid to the members of the Board of Directors is indicated in the chart below:

2020 Director Cash Compensation

Director Annual Retainer (all) (1)	$	36,000
Additional Annual Retainer to Chairperson	$	15,000
Additional Annual Retainer to Audit Committee Chairperson	$	14,500
Additional Annual Retainer to Compensation Committee Chairperson	$	5,000
Additional Annual Retainer to Corporate Governance Committee Chairperson	$	5,000
Additional Annual Retainer to Strategic Advisory Committee Chairperson (2)	$	5,000
Additional Annual Retainer to Audit Committee Member	$	4,000
Additional Annual Retainer to Compensation Committee Member	$	4,000
Additional Annual Retainer to Corporate Governance Committee Member	$	4,000
Additional Annual Retainer to Strategic Advisory Committee Member (2)	$	4,000

(1) In April 2020, the Board of Directors elected to receive, all future payments of annual retainer amounts in Company RSUs in lieu of cash, the “Retainer Awards”. All other committee payments, committee chairmanship fees and Board chairmanship fees continue to be paid in cash for the remainder of 2020. In March 2021, the Compensation Committee of the Board elected that all directors receive all committee related compensation in the form of RSUs, unless the director makes a timely one-time election to receive cash for the applicable year.

(2) The Strategic Advisory Committee was dissolved in April 2020.

For the sake of clarity, in fiscal year ended December 31, 2020, each of the Audit Committee, the Compensation Committee, the Corporate Governance Committee, and the Strategic Advisory Committee chairpersons only received an amount equal to the chairperson fee set forth in the table above and not the chairperson fee plus the member fee.

The single employee director of our Board of Directors, Mr. Molchan, the President and Chief Executive Officer of Digirad Health and our former President and Chief Executive Officer, does not receive additional compensation for his service on our Board of Directors.

Equity Compensation

Equity compensation awards, and the amount of such awards, to non-employee members of our Board are at the discretion of the Compensation Committee of our Board. Historically, such awards have been in the form of RSUs and the Compensation Committee generally set the amount of those awards at a fair market value equal to the annual cash retainer received by non-employee members of our Board. In April, 2020, the Compensation Committee approved the Board's transition from quarterly cash retainer payments to quarterly equity awards for non-employee directors. In August, 2020, the Compensation Committee approved increasing the annual grant from 1,250 RSUs to 12,000 RSUs, with cliff vesting of one year from Grant Date, subject to the recipient continuing to be a service provider through vesting date and subject to Board approval of such grant. We believe that equity compensation helps to further align the interests of our directors with those of our stockholders because the value of directors' share ownership will rise and fall with that of our other stockholders. In March 2021, the Compensation Committee of the Board elected to end the separate annual equity awards described above and to instead increase the size of the Retainer Awards to quarterly awards of RSUs having a fair market value (as defined in the 2018 Plan) of $18,000 each.

Non-Employee Director Compensation Table

The following table sets forth summary information concerning compensation paid or accrued for services rendered to us in all capacities to the non-employee members of our Board of Directors for the fiscal year ended December 31, 2020.

Name	Fees Paid in Cash ($)	Stock Awards ($) (5)	All Other Compensation ($)	Total ($)
Jeffrey E. Eberwein	27,333	60,718	—	88,051
Dimitrios J. Angelis (1)	17,250	9,000	—	26,250
John M. Climaco (2)	11,250	—	—	11,250
Michael A. Cunnion (3)	19,667	60,718	—	80,385
John W. Sayward (4)	29,167	60,718	—	89,885
Mitchell I. Quain	20,083	60,718	—	80,801

(1) Mr. Angelis did not stand for re-election to the Board of Directors at the Annual Meeting of Stockholders held on July 31, 2020 (the "2020 Annual Meeting"), and ceased to be a member of the Board on such date.

(2) On April 6, 2020, Mr. Climaco resigned from the Board of Directors of the Company and all committees of the Board of Directors effective as of such date.

(3) Mr. Cunnion holds, in addition to the stock awards noted in the table, outstanding options to purchase an aggregate of 8,000 shares of our common stock at December 31, 2020.

(4) Mr. Sayward holds, in addition to the stock awards noted in the table, outstanding options to purchase an aggregate of 6,000 shares of our common stock at December 31, 2020.

(5) Represents full fair value at grant date of restricted stock units granted to our directors, computed in accordance with FASB ASC Topic 718.

PROPOSAL 3:

ADVISORY (NON-BINDING) STOCKHOLDER APPROVAL OF NAMED EXECUTIVE OFFICER COMPENSATION

Pursuant to Section 14A of the Exchange Act, we are asking our stockholders to provide advisory (non-binding) approval of the compensation of our named executive officers, as we have described it in the "Executive Compensation" section of this Proxy Statement. Although this vote, commonly referred to as "say-on-pay," is advisory, and not binding on our Company, it will provide information to our management and the Compensation Committee regarding investor opinion about our executive compensation practices and policies, which the Compensation Committee will be able to consider when determining executive compensation for the remainder of 2021 and beyond.

We are asking our stockholders to indicate their support for the compensation of our named executive officers as described in this Proxy Statement by voting in favor of the following resolution:

"RESOLVED, that the holders of shares of common stock approve, on an advisory basis, the compensation of the Company's executives named in the Summary Compensation Table, as disclosed in this Proxy Statement, pursuant to the compensation disclosure rules of the SEC. However, as this is an advisory vote, the result will not be binding on our Board of Directors or the Company."

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE ADVISORY (NON-BINDING) APPROVAL OF THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS.

BACKGROUND TO THE RIGHTS PLAN PROPOSAL AND PROTECTIVE AMENDMENT PROPOSAL (TOGETHER, THE “NOL PROTECTION PROPOSALS”)

Our past operations generated significant net operating losses and other tax benefits (collectively, "NOLs"). Under federal tax laws, for NOLs arising in tax years ending before January 1, 2018, we generally can use any such NOLs and certain related tax credits to reduce ordinary income tax paid in our prior two tax years or on our future taxable income for up to 20 years, at which point they "expire" for such purposes. Until they expire, we can "carry forward" NOLs and certain related tax credits that we do not use in any particular year to offset taxable income in future years. For NOLs arising in tax years beginning after December 31, 2017, we generally can use any such NOLs and certain related tax credits to reduce ordinary income tax paid on our future taxable income indefinitely, however, any such NOLs cannot be used to reduce ordinary income tax paid in prior tax years. In addition, the deduction for NOLs arising in tax years beginning after December 31, 2017 is limited to 80 percent of our taxable income for any tax year (computed without regard to the NOL deduction). As of December 31, 2017, we had approximately $89.2 million in federal NOLs, all of which arose in tax years ending before January 1, 2018 (our “Current NOLs”). While we cannot estimate the exact amount of NOLs that we will be able use to reduce future income tax liability because we cannot predict the amount and timing of our future taxable income, we believe our NOLs are a very valuable asset.

Our ability to utilize our NOLs to offset future taxable income may be significantly limited if we experience an "ownership change," as determined under Section 382 ("Section 382") of the Internal Revenue Code of 1986, as amended (the "Code"). Under Section 382, an "ownership change" occurs if one or more stockholders or groups of stockholders that is each deemed to own at least 5% of our common stock increases their aggregate ownership by more than 50 percentage points over its lowest ownership percentage within a rolling three-year period. If an ownership change occurs, Section 382 would impose an annual limit on the amount of our NOLs that we can use to offset taxable income equal to the product of the total value of our outstanding equity immediately prior to the ownership change (reduced by certain items specified in Section 382) and the federal long-term tax-exempt interest rate in effect for the month of the ownership change. A number of complex rules apply to calculating this annual limit.

If an ownership change is deemed to occur, the limitations imposed by Section 382 could significantly limit our ability to use our NOLs to reduce future income tax liability and result in a material amount of our Current NOLs expiring unused and, therefore, significantly impair the value of our NOLs. While the complexity of Section 382’s provisions and the limited knowledge any public company has about the ownership of its publicly traded securities make it difficult to determine whether an ownership change has occurred, we currently believe that an ownership change has not occurred. However, if no action is taken to protect our NOLs, we believe it is possible that we could experience an ownership change before our Current NOLs are fully-utilized or expire.

After careful consideration, our Board of Directors determined that the most effective way to protect the significant potential long-term tax benefits presented by our NOLs is (i) to adopt the Amended Tax Benefit Preservation Plan, dated as of June 2, 2021 (the “Rights Plan”) and (ii) to approve the Protective Amendment, a Certificate of Amendment to the provisions of the Company's Restated Certificate of Incorporation designed to protect the tax benefits of the Company's net operating loss carryforwards.

The Rights Plan was adopted by the Board on June 2, 2021. Proposal 4 is an opportunity for stockholders to approve the decision of the Board to adopt the Rights Plan through June 2, 2024. Without stockholder approval, the Rights Plan will expire 5:00 p.m., New York time, on the date that the votes of the stockholders of the Company, with respect to the Company’s 2021 Annual Meeting of Stockholders are certified, unless the continuation of the Rights Plan is approved by the affirmative vote of the majority of shares of the Company's common stock present in person or represented by proxy at Company’s 2021 Annual Meeting of Stockholders (or any adjournment or postponement thereof).

The Rights Plan is intended preserve the value of the Company’s significant NOLs and other tax benefits. The Company’s ability to utilize its NOLs may be substantially limited if the Company experiences an “ownership change” within the meaning of Section 382 of the Code. In general, an “ownership change” would occur if the percentage of the Company’s ownership by one or more “5-percent stockholders” (as defined in the Code) increases by more than 50 percent over the lowest percentage owned by such stockholders at any time during the prior three years. The Rights Plan is designed to preserve the Company’s tax benefits by deterring transfers of Common Stock that could result in an “ownership change” under Section 382. The Board believes it is in the best interest of the Company and its stockholders that the Company provide for the protection of the tax benefits by adopting the Rights Plan.

The Protective Amendment, like the Rights Plan, is designed to prevent certain transfers of our securities that could result in an ownership change, and is described below and the complete text of the Protective Amendment is attached as Annex B to this Proxy Statement. The Protective Amendment will not be put into effect unless and until it is approved by stockholders at the Annual Meeting. Even if approved by our stockholders, the Board of Directors retains the authority to abandon the Protective Amendment for any reason at any time prior to the filing and effectiveness of the Protective Amendment with the Secretary of State of the State of Delaware.

Our Board of Directors urges stockholders to read the NOL Protection Proposals and the items discussed below under the heading "Certain Considerations Related to the NOL Protection Proposals" and the complete text of the Rights Plan and the Protective Amendment, which are attached as Annex A and Annex B, respectively, to this Proxy Statement. It is important to note that these measures do not offer a complete solution and that an ownership change may occur even if the NOL Protection Proposals are approved by stockholders. There may be limitations on the enforceability of the Protective Amendment against stockholders who do not vote to approve it that may allow an ownership change to occur. The limitations are described in more detail below. The Board believes that the adoption of these measures appropriate and that they will serve as an important tool to help prevent an ownership change that could substantially reduce or eliminate the significant potential long-term tax benefits presented by our NOLs. Accordingly, the Board of Directors recommends that stockholders approve the NOL Protection Proposals.

PROPOSAL 4: RIGHTS PLAN

Introduction

On June 2, 2021, the Board adopted the Rights Plan. This proposal is an opportunity for stockholders to approve the decision of the Board to adopt the Rights Plan through June 2, 2024. Without stockholder approval, the Rights Plan will expire 5:00 p.m., New York time, on the date that the votes of the stockholders of the Company, with respect to the Company's 2021 Annual Meeting of Stockholders are certified, unless the continuation of the Rights Plan is approved by the affirmative vote of the majority of shares of the Company's common stock present in person or represented by proxy at Company's 2021 Annual Meeting of Stockholders (or any adjournment or postponement thereof).

The Rights Plan is intended to act as a deterrent to any person acquiring shares of the Company's common stock equal to or exceeding 4.99% of the Company's common stock, or any existing holder of 4.99% or more of the Company's common stock acquiring additional shares, by substantially diluting the ownership interest of any such stockholder unless the stockholder obtains an exemption from the Board. In general terms, the Rights Plan imposes a significant penalty upon any person or group that acquires beneficial ownership (as defined under the Rights Plan) of 4.99% or more of the Company's outstanding common stock without the prior approval of the Board (an "Acquiring Person"). Any Rights (as defined below) held by an Acquiring Person are null and void and may not be exercised. This would protect the Company's tax benefits because changes in ownership by a person owning less than 4.99% of the Company's common stock are not included in the calculation of "ownership change" for purposes of Section 382 of the Code. The Board has established procedures to consider requests to exempt certain acquisitions of the Company's securities from the Rights Plan if the Board determines that doing so would not limit or impair the availability of the tax benefits or is otherwise in the best interests of the Company. Please review the information about the Rights Plan below, including without limitation, Certain Considerations Relating to the NOL Protection Proposals. The Board believes it is in the best interest of the Company and its stockholders that the Company provide for the protection of the tax benefits by adopting the Rights Plan.

Plan Summary

The following is a summary of the terms of the Rights Plan. The summary does not purport to be complete and is qualified in its entirety by reference to the Rights Plan, a copy of which is attached as Annex A to this Proxy Statement.

The Rights. On June 2, 2021, the Board declared a dividend to the Company's stockholders of record as of the close of business on June 14, 2021 (the "Record Date"), for each outstanding share of the Company's common stock, of one right (a "Right") to purchase one one-thousandth of a share of a new series of participating preferred stock of the Company. The terms of the Rights are set forth in the Rights Plan.

If the Rights become exercisable, each Right would allow its holder to purchase from the Company one one-thousandth of a share of the Company's Series C Participating Preferred Stock ("Series C Preferred Stock") for a purchase price of $12.00. Each fractional share of Series C Preferred Stock would give the stockholder approximately the same dividend, voting and liquidation rights as does one share of common stock. The Series C Preferred Stock rank, with respect to the payment of dividends and the distribution of assets, junior to all other series of the Company's preferred stock and rank senior to the common stock as to such matters. Prior to exercise, however, a Right does not give its holder any dividend, voting or liquidation rights.

Exercisability. The Rights will not be exercisable until the earlier of:

a. 10 days after a public announcement by the Company that a person or group has become an Acquiring Person; and

b. 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.

Until the date that the Rights become exercisable (the "Distribution Date"), common stock certificates will also evidence the Rights and will contain a notation to that effect. Any transfer of shares of common stock prior to the Distribution Date will constitute a transfer of the associated Rights. After the Distribution Date, the Rights will separate from the common stock and be evidenced by Right certificates, which the Company will mail to all holders of Rights that have not become void.

After the Distribution Date, if a person or group already is or becomes an Acquiring Person, all holders of Rights, except the Acquiring Person, may exercise their Rights upon payment of the purchase price to purchase shares of common stock (or other securities or assets as determined by the Board) with a market value of two times the purchase price (a "Flip-in Event").

After the Distribution Date, if a Flip-in Event has already occurred and the Company is acquired in a merger or similar transaction, all holders of Rights, except the Acquiring Person, may exercise their Rights upon payment of the purchase price, to purchase shares of the acquiring or other appropriate entity with a market value of two times the purchase price of the Rights.

Rights may be exercised to purchase Series C Preferred Stock only after the Distribution Date occurs and prior to the occurrence of a Flip-in Event as described above. A Distribution Date resulting from the commencement of a tender offer or an exchange offer as described in the second bullet point above could precede the occurrence of a Flip-in Event, in which case the Rights could be exercised to purchase Series C Preferred Stock. A Distribution Date resulting from any occurrence described in the first bullet point above would necessarily follow the occurrence of a Flip-in Event, in which case the Rights could be exercised to purchase shares of common stock (or other securities or assets) as described above.

Exempted Persons and Exempted Transactions. The Board recognizes that there may be instances when an acquisition of common stock that would cause a stockholder to become an Acquiring Person may not jeopardize the availability of the Company's tax benefits or would otherwise be in the best interests of the Company. Accordingly, the Rights Plan grants discretion to the Board to designate a person as an "Exempt Person" or to designate a transaction involving common stock as an "Exempt Transaction." An "Exempt Person" cannot become an Acquiring Person under the Rights Plan. The Board can revoke an "Exempt Person" designation if it subsequently makes a contrary determination regarding whether a transaction by such person may jeopardize the availability of the Company's tax benefits.

Expiration. The Rights will expire on the earliest of (i) June 2, 2024, which is the third anniversary of the date on which the Board authorized and declared a dividend of the Rights, or such earlier date as of which the Board determines that the Rights Plan is no longer necessary for the preservation of the Company's tax benefits, (ii) the time at which the Rights are redeemed, (iii) the time at which the Rights are exchanged, (iv) the effective time of the repeal of Section 382 of the Code or any successor statute if the Board determines that the Rights Plan is no longer necessary for the preservation of the Company's tax benefits, (v) the first day of a taxable year to which the Board determines that no NOLs or other tax benefits may be carried forward, and (vi) the day following the certification of the voting results of the Company's 2021 annual meeting of stockholders, if stockholder approval of the Rights Plan has not been obtained prior to that date.

Redemption. The Board may redeem all (but not less than all) of the Rights for a redemption price of $0.0001 per Right at any time before a person or group has become an Acquiring Person. Once the Rights are redeemed, the right to exercise the Rights will terminate, and the only right of the holders of such Rights will be to receive the redemption price. The redemption price will be adjusted if the Company declares a stock split or issues a stock dividend on common stock.

Exchange. At any time after a person or group has become an Acquiring Person, but before an Acquiring Person owns 50% or more of the outstanding common stock, the Board may exchange each Right (other than Rights that have become void) for two shares of common stock or an equivalent security.

Anti-Dilution Provisions. The Board may adjust the purchase price of the Series C Preferred Stock, the number of shares of Series C Preferred Stock issuable and the number of outstanding Rights to prevent dilution that may occur as a result of certain events, including, among others, a stock dividend, a stock split or a reclassification of the Series C Preferred Stock or common stock. No adjustments to the purchase price of less than one percent will be made.

Amendments. Before the time a person or group has become an Acquiring Person, the Board may amend or supplement the Rights Plan without the consent of the holders of the Rights, except that no amendment may decrease the redemption price below $0.0001 per Right. At any time thereafter, the Board may amend or supplement the Rights Plan to cure an ambiguity, to alter time period provisions, to correct inconsistent provisions or to make any additional changes to the Rights Plan, but after a person or group has become an Acquiring Person, only to the extent that those changes do not impair or adversely affect the interests of the holders of Rights and do not result in the Rights again becoming redeemable. The limitations on the Board's ability to amend the Rights Plan does not affect the Board's power or ability to take any other action that is consistent with its fiduciary duties, including, without limitation, accelerating or extending the expiration date of the Rights, or making any amendment to the Rights Agreement that is permitted by the Rights Plan or adopting a new rights agreement with such terms as the Board determines in its sole discretion to be appropriate.

PROPOSAL 5: APPROVAL OF PROTECTIVE AMENDMENT

For the reasons discussed above under "Background to the Rights Plan Proposal and the Protective Amendment Proposal (together, the "NOL Protection Proposals")," our Board of Directors recommends that stockholders adopt the Protective Amendment, an amendment to our Restated Certificate of Incorporation. The Protective Amendment is designed to prevent certain transfers of our common stock that could result in an ownership change under Section 382, and, therefore, significantly impair the value of our NOLs. The Board believes it is in our and our stockholders' best interests to adopt the Protective Amendment to help continue to protect our NOLs.

The purpose of the Protective Amendment is to assist us in protecting long-term value to the Company of its accumulated NOLs by limiting direct or indirect transfers of our common stock that could affect the percentage of stock that is treated as being owned by a holder of 4.99% of our common stock. In addition, the Protective Amendment includes a mechanism to block the impact of such transfers while allowing purchasers to receive their money back from prohibited purchases. Our Board of Directors has adopted resolutions approving and declaring the advisability of amending our Restated Certificate of Incorporation as described below, and the complete text of the Protective Amendment is attached as **Annex B** to this Proxy Statement. However, in order for the Protective Amendment to be implemented, it first must be approved by our stockholders at the Annual Meeting.

The Protective Amendment, if approved by our stockholders, would become effective upon the filing of a Certificate of Amendment to our Restated Certificate of Incorporation with the Secretary of State of the State of Delaware, which we would expect to do as soon as practicable after the Protective Amendment is approved by our stockholders. Even if approved by the stockholders, the Board of Directors retains the authority to abandon the Protective Amendment for any reason at any time prior to the filing and effectiveness of the Protective Amendment with the Secretary of State of the State of Delaware.

Description of the Protective Amendment

The following description of the Protective Amendment is qualified in its entirety by reference to the complete text of the Protective Amendment, which is attached as **Annex B** to this Proxy Statement. **Please read the Protective Amendment in its entirety, as the discussion below is only a summary.**

Prohibited Transfers. The Protective Amendment generally restricts any direct or indirect transfer (such as transfers of our common stock that result from the transfer of interests in other entities that own our common stock) of Company securities if the effect would be to:

• increase the direct, indirect or constructive ownership of our common stock by any Person (as defined below) from less than 4.99% to 4.99% or more of our common stock; or

• increase the percentage of our common stock owned directly, indirectly or constructively by a Person owning or deemed to own 4.99% or more of our common stock.

"Person" means any individual, partnership, joint venture, limited liability company, firm, corporation, unincorporated association or organization, trust or other entity or any group of such "Persons" having a formal or informal understanding among themselves to make a "coordinated acquisition" of shares within the meaning of Treasury Regulation § 1.382-3(a)(1) or who are otherwise treated as an "entity" within the meaning of Treasury Regulation § 1.382-3(a)(1), and includes any successor (by merger or otherwise) of any such entity or group.

Restricted transfers include sales to Persons whose resulting percentage ownership (directly, indirectly or constructively) of our common stock would exceed the 4.99% thresholds discussed above, or to Persons whose direct, indirect or constructive ownership of our common stock would by attribution cause another Person to exceed such threshold. Complicated stock ownership rules prescribed by the Code (and regulations promulgated thereunder) apply in determining whether a Person is a 4.99% stockholder under the Protective Amendment. A transfer from one member of a "public group" (as that term is defined under Section 382) to another member of the same public group does not increase the percentage of our common stock owned directly, indirectly or constructively by the public group and, therefore, such transfers are not restricted. For purposes of determining the existence and identity of, and the amount of our common stock owned by, any stockholder, we are entitled to rely on the existence or absence of certain public securities filings as of any date, and our actual knowledge of the ownership of our common stock. The Protective Amendment includes the right to require a proposed transferee, as a condition to registration of a transfer of our common stock, to provide all information reasonably requested regarding such person's direct, indirect and constructive ownership of our common stock.

These transfer restrictions may result in the delay or refusal of certain requested transfers of our common stock, or prohibit ownership (thus requiring dispositions) of our common stock due to a change in the relationship between two or more persons or entities or to a transfer of an interest in an entity other than us that, directly, indirectly or constructively, owns our common stock. The transfer restrictions also apply to proscribe the creation or transfer of certain "options" (which are broadly defined by Section 382) with respect to our common stock to the extent that, in certain circumstances, the creation, transfer or exercise of the option would result in a proscribed level of ownership.

Consequences of Prohibited Transfers. Upon adoption of the Protective Amendment, any direct or indirect transfer attempted in violation of the Protective Amendment would be void as of the date of the prohibited transfer as to the purported transferee (or, in the case of an indirect transfer, the ownership of the direct owner of our common stock would terminate simultaneously with the transfer), and the purported transferee (or in the case of any indirect transfer, the direct owner) would not be recognized as the owner of the shares owned in violation of the Protective Amendment for any purpose, including for purposes of voting and receiving dividends or other distributions in respect of such shares, or in the case of options, receiving shares in respect of their exercise. In this Proxy Statement, our common stock purportedly acquired in violation of the Protective Amendment is referred to as "excess stock."

In addition to a prohibited transfer being void as of the date it is attempted, upon demand, the purported transferee must transfer the excess stock to our agent along with any dividends or other distributions paid with respect to such excess stock. Our agent is required to sell such excess stock in an arm's-length transaction (or series of transactions) that would not constitute a violation under the Protective Amendment. The net proceeds of the sale, together with any other distributions with respect to such excess stock received by our agent, after deduction of all costs incurred by the agent, will be transferred first to the purported transferee in an amount, if any, up to the cost (or in the case of gift, inheritance or similar transfer, the fair market value of the excess stock on the date of the prohibited transfer) incurred by the purported transferee to acquire such excess stock, and the balance of the proceeds, if any, will be transferred to a charitable beneficiary. If the excess stock is sold by the purported transferee, such person will be treated as having sold the excess stock on behalf of the agent, and will be required to remit all proceeds to our agent (except to the extent we grant written permission to the purported transferee to retain an amount not to exceed the amount such person otherwise would have been entitled to retain had our agent sold such shares).

To the extent permitted by law, any stockholder who knowingly violates the Protective Amendment will be liable for any and all damages we suffer as a result of such violation, including damages resulting from any limitation in our ability to use our NOLs and any professional fees incurred in connection with addressing such violation.

With respect to any transfer of common stock that does not involve a transfer of our securities within the meaning of Delaware law but that would cause a person to violate the Protective Amendment, the following procedure will apply in lieu of those described above: in such case, such person whose ownership of our securities is attributed to such proscribed person will be deemed to have disposed of (and will be required to dispose of) sufficient securities, simultaneously with the transfer, to cause such proscribed person not to be in violation of the Protective Amendment, and such securities will be treated as excess stock to be disposed of through the agent under the provisions summarized above, with the maximum amount payable to such stockholder that was the direct holder of such excess stock from the proceeds of sale by the agent being the fair market value of such excess stock at the time of the prohibited transfer.

Public Groups; Modification and Waiver of Transfer Restrictions. In order to facilitate sales by our stockholders into the market, the Protective Amendment permits otherwise prohibited transfers of our common stock where the transferee is a public group.

In addition, our Board of Directors will have the discretion to approve a transfer of our common stock that would otherwise violate the transfer restrictions if it determines that the transfer is in our and our stockholders' best interests. If our Board of Directors decides to permit such a transfer, that transfer or later transfers may result in an ownership change that could limit our use of our NOLs. In deciding whether to grant a waiver, our Board of Directors may seek the advice of counsel and tax experts with respect to the preservation of our federal tax attributes pursuant to Section 382. In addition, our Board of Directors may request relevant information from the acquirer and/or selling party in order to determine compliance with the Protective Amendment or the status of our federal income tax benefits, including an opinion of counsel selected by our Board of Directors (the cost of which will be borne by the transferor and/or the transferee) that the transfer will not result in a limitation on the use of our NOLs under Section 382. If our Board of Directors decides to grant a waiver, it may impose conditions on such waiver on the acquirer or selling party.

In the event of a change in law, our Board of Directors will be authorized to modify the applicable allowable percentage ownership interest (currently 4.99%) or modify any of the definitions, terms and conditions of the transfer restrictions or to eliminate the transfer restrictions, provided that our Board of Directors determines, by adopting a written resolution, that such action is reasonably necessary or advisable to preserve our NOLs or that the continuation of these restrictions is no longer reasonably necessary for such purpose, as applicable. Our stockholders will be notified of any such determination through a filing with the SEC or such other method of notice as the Secretary of the Company shall deem appropriate.

Our Board of Directors may establish, modify, amend or rescind bylaws, regulations and procedures for purposes of determining whether any transfer of securities would jeopardize our ability to use our NOLs.

Implementation and Expiration of the Protective Amendment

If our stockholders approve the Protective Amendment, we intend to file the Protective Amendment promptly with the Secretary of State of the State of Delaware, whereupon the Protective Amendment will become effective. We intend to enforce the restrictions in the Protective Amendment immediately thereafter to preserve the future use of our NOLs. We also intend to include a legend reflecting the transfer restrictions included in the Protective Amendment on certificates representing newly issued or transferred shares, to disclose such restrictions to persons holding our common stock in uncertificated form and to disclose such restrictions to the public generally.

Even if our stockholders approve the Protective Amendment, the Board of Directors retains the authority to abandon the Protective Amendment for any reason at any time prior to the filing and effectiveness of the Protective Amendment with the Secretary of State of the State of Delaware.

The Protective Amendment would expire on the earliest of (i) October 15, 2024, (ii) our Board of Director's determination that the Protective Amendment is no longer necessary for the preservation of our NOLs because of the repeal of Section 382 or any successor statute, (iii) the beginning of a taxable year to which our Board of Directors determines that none of our NOLs may be carried forward and (iv) such date as our Board of Directors otherwise determines that the Protective Amendment is no longer necessary for the preservation of our NOLs. Our Board of Directors may also accelerate the expiration date of the Protective Amendment in the event of a change in the law if our Board of Directors has determined that the continuation of the restrictions contained in the Protective Amendment is no longer reasonably necessary for the preservation of our NOLs or such action is otherwise reasonably necessary or advisable.

Effectiveness and Enforceability

Although the Protective Amendment is intended to reduce the likelihood of an ownership change, we cannot eliminate the possibility that an ownership change will occur even if the Protective Amendment is adopted given that:

• The Board can permit a transfer to an acquirer that results in or contributes to an ownership change if it determines that such transfer is in our and our stockholders' best interests.

• A court could find that part or all of the Protective Amendment is not enforceable, either in general or as applied to a particular stockholder or fact situation. Delaware law provides that transfer restrictions with respect to shares issued prior to the adoption of the restriction are effective against (i) holders of those securities that are parties to the applicable agreement or voted in favor of the restriction and (ii) purported successors or transferees of such holders if (A) the transfer restriction is noted conspicuously on the certificate(s) representing such shares or (B) the successor or transferee had actual knowledge of the transfer restrictions (even absent such conspicuous notation). We intend to cause shares of our common stock issued after the effectiveness of the Protective Amendment to be issued with the relevant transfer restriction conspicuously noted on the certificate(s) representing such shares, and therefore under Delaware law such newly issued shares will be subject to the transfer restriction. We also intend to disclose such restrictions to persons holding our common stock in uncertificated form. For the purpose of determining whether a stockholder is subject to the Protective Amendment, we intend to take the position that all shares issued prior to the effectiveness of the Protective Amendment that are proposed to be transferred were voted in favor of the Protective Amendment, unless the contrary is established. We may also assert that stockholders have waived the right to challenge or otherwise cannot challenge the enforceability of the Protective Amendment, unless a stockholder establishes that it did not vote in favor of the Protective Amendment. Nonetheless, despite these actions, a court still could find that the Protective Amendment is unenforceable, either in general or as applied to a particular stockholder or fact situation.

• Despite the adoption of the Protective Amendment, there is still a risk that certain changes in relationships among stockholders or other events could cause an ownership change under Section 382. Accordingly, we cannot assure you that an ownership change will not occur even if the Protective Amendment is made effective.

As a result of these and other factors, the Protective Amendment is intended to reduce, but does not eliminate, the risk that we will undergo an ownership change that would limit our ability to utilize our NOLs.

Section 382 Ownership Change Determinations

The rules of Section 382 are very complex and are beyond the scope of this summary discussion. Some of the factors that must be considered in determining whether a Section 382 ownership change has occurred include the following:

• Each stockholder who owns less than 5% of our common stock is generally (but not always) aggregated with other such stockholders and treated as a single "5-percent stockholder" for purposes of Section 382. Transactions in the public markets among such stockholders are generally (but not always) excluded from the Section 382 calculation.

• There are several rules regarding the aggregation and segregation of stockholders who otherwise do not qualify as Section 382 "5-percent stockholders." Ownership of stock is generally attributed to its ultimate beneficial owner without regard to ownership by nominees, trusts, corporations, partnerships or other entities.

• Acquisitions by a person that cause the person to become a Section 382 "5-percent stockholder" generally result in a 5% (or more) change in ownership, regardless of the size of the final purchase(s) that caused the threshold to be exceeded.

• Certain constructive ownership rules, which generally attribute ownership of stock owned by estates, trusts, corporations, partnerships or other entities to the ultimate indirect individual owner thereof, or to related individuals, are applied in determining the level of stock ownership of a particular stockholder. Special rules can result in the treatment of options (including warrants) or other similar interests as having been exercised if such treatment would result in an ownership change.

Our redemption or buyback of our common stock will increase the ownership of any Section 382 "5-percent stockholders" (including groups of stockholders who are not individually 5-percent stockholders) and can contribute to an ownership change. In addition, it is possible that a redemption or buyback of shares could cause a holder of less than 5% to become a Section 382 "5-percent stockholder," resulting in a 5% (or more) change in ownership.

CERTAIN CONSIDERATIONS RELATED TO THE NOL PROTECTION PROPOSALS

Our Board of Directors believes that attempting to protect the tax benefits of our NOLs as described above under "Background to the Rights Plan Proposal and Protective Amendment Proposal (together, the “NOL Protection Proposals”)" is in our and our stockholders’ best interests. However, we cannot eliminate the possibility that an ownership change will occur even if the NOL Protection Proposals are approved. Please consider the items discussed below in voting on Proposal 4 and Proposal 5.

The Internal Revenue Service ("IRS") could challenge the amount of our NOLs or claim we experienced an ownership change, which could reduce the amount of our NOLs that we can use or eliminate our ability to use them altogether.

The IRS has not audited or otherwise validated the amount of our NOLs. The IRS could challenge the amount of our NOLs, which could limit our ability to use our NOLs to reduce our future taxable income. In addition, the complexity of Section 382’s provisions and the limited knowledge any public company has about the ownership of its publicly traded stock make it difficult to determine whether an ownership change has occurred. Therefore, we cannot assure you that the IRS will not claim that we experienced an ownership change and attempt to reduce or eliminate the benefit of our NOLs even if the Rights Plan and/or Protective Amendment are in place.

Continued Risk of Ownership Change

Although the NOL Protection Proposals are intended to reduce the likelihood of an ownership change, we cannot assure you that they would prevent all direct and indirect transfers of our common stock that could result in such an ownership change. In particular, absent a court determination, we cannot assure you that the restrictions on acquisition of our common stock contained in the Rights Plan and Protective Amendment will be enforceable against all our stockholders, and they may be subject to challenge on equitable grounds, as discussed above.

Potential Effects on Liquidity

The Rights Plan and Protective Amendment restrict a stockholder’s ability to acquire, directly, indirectly or constructively, additional shares of our common stock in excess of the specified limitations. Furthermore, a stockholder’s ability to dispose of our common stock may be limited by reducing the class of potential acquirers for such shares. In addition, a stockholder’s ownership of our common stock may become subject to the restrictions of the Rights Plan and/or the Protective Amendment upon actions taken by persons related to, or affiliated with, such stockholder. Stockholders are advised to carefully monitor their ownership of our stock and consult their own legal advisors and/or us to determine whether their ownership of our common stock approaches the restricted levels.

Potential Impact on Value

Our Board of Directors intends to include a legend reflecting the transfer restrictions included in the Rights Plan and the Protective Amendment on certificates representing newly issued or transferred shares, to disclose such restrictions to persons holding our common stock in uncertificated form, and to disclose such restrictions to the public generally. Because certain buyers, including persons who wish to acquire more than 5% of our common stock and certain institutional holders who may not be comfortable holding our common stock with restrictive legends, may not choose to purchase our common stock, the Rights Plan and the Protective Amendment could depress the value of our common stock in an amount that could more than offset any value preserved from protecting our NOLs.

Potential Anti-Takeover Impact

The reason our Board of Directors approved the NOL Protection Proposals is to continue to protect the significant potential long-term tax benefits presented by our NOLs. The NOL Protection Proposals are not intended to prevent a takeover of the Company. However, the NOL Protection Proposals, if approved by our stockholders, could be deemed to have an anti-takeover effect because, among other things, they will restrict the ability of a person, entity or group to accumulate more than 4.99% of our common stock and the ability of persons, entities or groups now owning more than 4.99% of our common stock to acquire additional shares of our common stock without the approval of our Board of Directors for an additional three years. Accordingly, the overall effects of the NOL Protection Proposals, if approved by our stockholders, may be to render more difficult, or discourage, a merger, tender offer, proxy contest or assumption of control by a substantial holder of our securities.

Effect of the NOL Protection Proposals If You Vote For Them and Already Directly, Indirectly or Constructively Own More Than 4.99% of our common stock

If you already own more than 4.99% of our common stock, you would be able to transfer shares of our common stock only if the transfer does not increase the percentage of stock ownership of another holder of 4.99% or more of our common stock or create a new holder of 4.99% or more of our common stock. You will also be able to transfer your shares of our common stock through open-market sales to a public group. Shares acquired in any such transaction will be subject to the NOL Protection Proposals' transfer restrictions.

Effect of the NOL Protection Proposals If You Vote For Them and Directly, Indirectly or Constructively Own Less Than 4.99% of our common stock

The NOL Protection Proposals will apply to you, but, so long as you own less than 4.99% of our common stock you can transfer your shares to a purchaser who, after the sale, also would own less than 4.99% of our common stock.

Effect of the Protective Amendment If You Vote Against It

Delaware law provides that transfer restrictions with respect to shares issued prior to the adoption of the restriction are effective against (i) holders of those securities that are parties to the applicable agreement or voted in favor of the restriction and (ii) purported successors or transferees of such holders if (A) the transfer restriction is noted conspicuously on the certificate(s) representing such shares or (B) the successor or transferee had actual knowledge of the transfer restrictions (even absent such conspicuous notation). We intend to cause shares of our common stock issued after the effectiveness of the Protective Amendment to be issued with the relevant transfer restriction conspicuously noted on the certificate(s) representing such shares, and therefore under Delaware law such newly issued shares will be subject to the transfer restriction. We also intend to disclose such restrictions to persons holding our common stock in uncertificated form. For the purpose of determining whether a stockholder is subject to the Protective Amendment, we intend to take the position that all shares issued prior to the effectiveness of the Protective Amendment that are proposed to be transferred were voted in favor of the Protective Amendment, unless the contrary is established. We may also assert that stockholders have waived the right to challenge or otherwise cannot challenge the enforceability of the Protective Amendment, unless a stockholder establishes that it did not vote in favor of the Protective Amendment. Nonetheless, despite these actions, a court still could find that the Protective Amendment is unenforceable, either in general or as applied to a particular stockholder or fact situation.

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE RIGHTS PLAN (PROPOSAL 4) AND THE PROTECTIVE AMENDMENT (PROPOSAL 5).

RELATED PERSON TRANSACTIONS AND DELINQUENT SECTION 16(A) REPORTS

Certain Relationships and Related 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 EBGL Loan Agreement.

Delinquent Section 16(a) Reports.

Section 16(a) of the Exchange Act requires Star Equity's directors, executive officers and holders of more than 10% of its common stock to file with the SEC reports (typically, Forms 3, 4, and/or 5) regarding their ownership and changes in ownership of Star Equity's securities. Based solely on a review of Forms 3, 4, and 5 and amendments thereto filed with the SEC, we believe that during the fiscal year ended December 31, 2020, Star Equity's directors, officers and 10% stockholders have complied with all applicable Section 16(a) filing requirements, other than the inadvertent late filing of one Form 4 for Michael DeBeauvernet reporting one transaction, one Form 4 for David J. Noble reporting one transaction and one Form 4 for Cannell Capital LLC reporting one transaction.

STOCKHOLDER PROPOSALS

Stockholder proposals intended for inclusion in the proxy statement for the 2022 Annual Meeting of Stockholders (the "2022 Annual Meeting") (pursuant to Rule 14a-8 promulgated under the Exchange Act) must be directed to the Corporate Secretary, Star Equity Holdings, Inc. 53 Forest Ave. Suite 101, Old Greenwich, Connecticut 06870 and must be received by December 31, 2021. Stockholder proposals must comply with the requirements as to form and substance established by the SEC for such proposals in order to be included in the proxy statement.

In order for proposals of stockholders made outside of Rule 14a-8 promulgated under the Exchange Act to be considered "timely" within the meaning of Rule 14a-4(c) promulgated under the Exchange Act, such proposals must be received by the Corporate Secretary at the above address by December 31, 2021, and must also be submitted in accordance with the requirements of our bylaws. Under SEC rules, if we do not receive notice of a stockholder proposal at least 45 days prior to the first anniversary of the date of mailing of the prior year's proxy statement, we will be permitted to use our discretionary voting authority when the proposal is raised at the annual meeting, without any discussion of the matter in the proxy statement. In connection with the 2021 Annual Meeting, if we do not receive notice of a stockholder proposal on or before December 31, 2021, we will be permitted to use our discretionary voting authority as outlined above.

ANNUAL REPORT

We are concurrently sending all of our stockholders of record as of the Record Date, a copy of our 2020 Annual Report. The 2020 Annual Report contains Star Equity's certified consolidated financial statements for the year ended December 31, 2020, including that of the Star Equity's subsidiaries.

A copy of our 2020 Annual Report will also be furnished without charge upon receipt of a written request identifying the person so requesting a report as a stockholder of Star Equity at such date to any person who was a beneficial owner of our common stock on the Record Date. Requests should be directed to Investor Relations, Star Equity Holdings, Inc. 53 Forest Ave. Suite 101, Old Greenwich, Connecticut 06870.

HOUSEHOLDING OF PROXY MATERIALS

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, which is commonly referred to as "householding," potentially means extra convenience for stockholders and cost savings for companies.

A number of brokers with account holders who are Star Equity stockholders may be "householding" our proxy materials. In that event, a single proxy statement will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be "householding" communications to your address, "householding" will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in "householding" and would prefer to receive a separate proxy statement and annual report, please notify your broker. Stockholders who currently receive multiple copies of the proxy statement at their address and would like to request "householding" of their communications should contact their broker.

GENERAL

Cost of Solicitation

We have retained InvestorCom LLC to assist us in the solicitation of proxies for a fee of up to $15,000 plus out-of-pocket expenses. Our expenses related to the solicitation of proxies from stockholders this year are not anticipated to be significant, with the total cost expected to be approximately $35,000. These solicitation costs are expected to include primarily the fee payable to our proxy solicitor. To date, we have incurred approximately $7,500 of these solicitation costs.

Other Matters

The Board of Directors is not aware of any other matters that are to be presented for action at the Annual Meeting. However, if any other matters properly come before the Annual Meeting, your shares of common stock will be voted in accordance with the best judgment of the designated proxy holders (who are identified on the enclosed proxy card).

IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. YOUR VOTE IS EXTREMELY IMPORTANT, REGARDLESS OF HOW MANY OR HOW FEW SHARES YOU OWN. WE URGE YOU TO SIGN, DATE AND RETURN THE ACCOMPANYING WHITE PROXY CARD PROMPTLY. A POSTAGE-PAID ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE.

By Order of the Board of Directors,

/s/ Jeffrey E. Eberwein

Jeffrey E. Eberwein

Executive Chairman of the Board of Directors

Dated: September 22, 2021

2021 ANNUAL MEETING OF STOCKHOLDERS OF

STAR EQUITY HOLDINGS, INC.
53 Forest Ave. Suite 101,
Old Greenwich, Connecticut 06870

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints David J. Noble and Jeffrey E. Eberwein, and each of them, the proxies of the undersigned, with full power of substitution, to attend the 2021 Annual Meeting of Stockholders of Star Equity Holdings, Inc. (the "Company") to be held on October 21, 2021 at 11:00 a.m. Eastern Daylight Time at the Company's offices at 53 Forest Avenue, 1st Floor, Old Greenwich, CT 06870, and at any adjournments or postponements thereof, and there to vote and act upon the matters set forth on the reverse side, with all the powers the undersigned would possess if personally present.

The undersigned hereby revokes any proxy or proxies heretofore given and acknowledges receipt of a copy of the Notice of Meeting and Proxy Statement and a copy of the Company's Annual Report on Form 10-K (without exhibits) for the fiscal year ended December 31, 2020 (the "2020 Annual Report").

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THE COMPANY'S NOMINEES IN PROPOSAL 1 AND "FOR" THE PROPOSALS IDENTIFIED IN ITEMS 2, 3, AND 4. WHEN PROPERLY EXECUTED, THIS PROXY WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED: "FOR" THE COMPANY'S NOMINEES IN PROPOSAL 1 AND "FOR" THE PROPOSALS IDENTIFIED IN ITEMS 2, 3, 4, AND 5, AND AS THE PROXY HOLDERS MAY DETERMINE IN THEIR DISCRETION WITH REGARD TO ANY OTHER MATTER PROPERLY BROUGHT BEFORE THE ANNUAL MEETING.

PLEASE MARK, SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY USING THE ENCLOSED POSTAGE-PAID ENVELOPE.

(Continued and to be signed on the reverse side)

2021 ANNUAL MEETING OF STOCKHOLDERS OF

STAR EQUITY HOLDINGS, INC.
October 21, 2021

MAIL - Sign, date and mail your proxy card in the envelope provided as soon as possible.

IN PERSON - You may vote your shares in person by attending the Annual Meeting.

NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL:
The Notice of Meeting, Proxy Statement, Proxy Card and Annual Report on Form 10-K are available at http://www.icommaterials.com/STRR

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE COMPANY'S NOMINEES IN PROPOSAL 1 AND "FOR" THE PROPOSALS IDENTIFIED IN ITEMS 2, 3, AND 4.
PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED POSTAGE-PAID ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE ☒

1. Election of Directors:

☐ **FOR ALL NOMINEES**
☐ **WITHHOLD AUTHORITY FOR ALL NOMINEES**
☐ **FOR ALL EXCEPT (See instructions below)**

NOMINEES:

O Jeffrey E. Eberwein
O Michael A. Cunnion
O John W. Sayward
O Mitchell I. Quain
O John W. Gildea

	FOR	AGAINST	ABSTAIN
2. The ratification of the appointment of BDO USA, LLP as the independent auditors for the fiscal year ending December 31, 2021.	☐	☐	☐
3 The advisory (non-binding) approval of the compensation of the Company's named executive officers.	☐	☐	☐
4. Approval of the Amended Tax Benefit Preservation Plan.	☐	☐	☐
5. Approval of a Protective Amendment to the Company's Restated Certificate of Incorporation designed to protect the tax benefits of the Company's net operating loss carryforwards.	☐	☐	☐

The undersigned acknowledges receipt from the Company before the execution of this proxy of the Notice of Annual Meeting of Stockholders, a Proxy Statement for the Annual Meeting of Stockholders and the 2020 Annual Report.

INSTRUCTIONS : To withhold authority to vote for any individual nominee(s), mark " **FOR ALL EXCEPT** " and fill in the circle next to each nominee you wish to withhold, as shown here: ●

MARK "X" HERE IF YOU PLAN TO ATTEND THE MEETING. ☐

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. ☐

Signature of Stockholder _____ Date: _____ Signature of Stockholder _____ Date: _____

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee, or guardian, please give full title as such. If the signer is a corporation, please sign full corporation name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

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

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RIGHTS AGREEMENT

This Rights Agreement, dated as of June 2, 2021 (this "***Agreement***"), is made and entered into by and between Star Equity Holdings, Inc., a Delaware corporation (the "***Company***"), and American Stock Transfer & Trust Company, LLC, as Rights Agent (the "***Rights Agent***").

RECITALS:

WHEREAS, (i) the Company has generated Tax Benefits (as hereinafter defined) for United States federal income tax purposes; (ii) the Company desires to avoid an "ownership change" within the meaning of Section 382 of the Internal Revenue Code of 1986, as amended (the "***Code***"), and related Treasury Regulations (as hereinafter defined) in order to preserve the ability to fully utilize such Tax Benefits; and (iii) in furtherance of such objective, the Company desires to enter into this Agreement; and

WHEREAS, on June 2, 2021, the Board of Directors of the Company (the "***Board***") authorized and declared a dividend distribution of one right (a "***Right***") in respect of each of the Company's Common Shares (as hereinafter defined) outstanding as of the Close of Business (as hereinafter defined) on June 14, 2021 (the "***Record Date***"), each Right initially representing the right to purchase one one-thousandth of a Preferred Share (as hereinafter defined), on the terms and subject to the conditions herein set forth, and further authorized and directed the issuance of one Right (subject to adjustment as provided herein) with respect to each Common Share issued or delivered by the Company (whether originally issued or delivered from the Company's treasury) after the Record Date but prior to the earlier of the Distribution Date (as hereinafter defined) and the Expiration Date (as hereinafter defined) or as provided in Section 22.

NOW, THEREFORE, in consideration of the mutual agreements herein set forth, the parties hereto hereby agree as follows:

1. Certain Definitions. For purposes of this Agreement, the following terms have the meanings indicated:

(a) "***Acquiring Person***" means any Person (other than the Company, any Related Person or any Exempt Person) who or which, together with all Affiliates and Associates of such Person, is or becomes the Beneficial Owner of 4.99% or more of the then-outstanding Common Shares; provided, however, that (i) any Person who would otherwise constitute an Acquiring Person as of 4:00 p.m., New York City time, on the date of this Agreement (the "***Effective Time***"), will not be deemed to be an Acquiring Person for any purpose of this Agreement unless and until such time as (A) such Person or any Affiliate or Associate of such Person thereafter becomes the Beneficial Owner of any additional Common Shares, other than (1) pursuant to any agreement or regular-way purchase order for Common Shares that is in effect on or prior to the Effective Time and consummated in accordance with its terms after the Effective Time or (2) as a result of a stock dividend, rights dividend, stock split or similar transaction effected by the Company in which all holders of Common Shares are treated equally, or (B) any other Person who is the Beneficial Owner of Common Shares becomes an Affiliate or Associate of such Person, provided that the exclusion in this clause (i) shall cease to apply with

respect to any Person at such time as such Person, together with all Affiliates and Associates of such Person, ceases to Beneficially Own 4.99% or more of the then-outstanding Common Shares, (ii) a Person will not be deemed to have become an Acquiring Person solely as a result of a reduction in the number of Common Shares outstanding unless and until such time as (A) such Person or any Affiliate or Associate of such Person thereafter becomes the Beneficial Owner of any additional Common Shares, other than as a result of a stock dividend, rights dividend, stock split or similar transaction effected by the Company in which all holders of Common Shares are treated equally, or (B) any other Person who is the Beneficial Owner of Common Shares thereafter becomes an Affiliate or Associate of such Person, and in either such case, such Person, together with all Affiliates and Associates of such Person, shall thereafter be the Beneficial Owner of 4.99% or more of the outstanding Common Shares and (iii) a Person will not be deemed to have become an Acquiring Person solely as a result of an Exempt Transaction unless and until such time as (A) such Person or any Affiliate or Associate of such Person thereafter becomes the Beneficial Owner of any additional Common Shares, other than as a result of a stock dividend, rights dividend, stock split or similar transaction effected by the Company in which all holders of Common Shares are treated equally, or (B) any other Person who is the Beneficial Owner of Common Shares thereafter becomes an Affiliate or Associate of such Person, and in either such case, such Person, together with all Affiliates and Associates of such Person, shall thereafter be the Beneficial Owner of 4.99% or more of the outstanding Common Shares. Notwithstanding the foregoing, if (1) the Board determines in good faith that a Person who would otherwise be an "Acquiring Person" as defined pursuant to the foregoing provisions of this Section 1(a), has become such inadvertently and (2) such Person has divested, divests as promptly as practicable or agrees in writing with the Company to divest, a sufficient number of Common Shares so that such Person is not or would no longer be an "Acquiring Person" as defined pursuant to the foregoing provisions of this Section 1(a), then such Person shall not be deemed to be an "Acquiring Person" for any purposes of this Agreement.

(b) "***Affiliate***" and "***Associate***" mean, with respect to any Person, any other Person (other than a Related Person or an Exempt Person) whose Common Shares would be deemed constructively owned by such first Person, owned by a single "entity" as defined in Section 1.382-3(a)(1) of the Treasury Regulations, or otherwise aggregated with Common Shares owned by such first Person pursuant to the provisions of the Code or the Treasury Regulations, provided, however, that a Person will not be deemed to be the Affiliate or Associate of another Person solely because either or both Persons are or were directors of the Company.

(c) "***Agreement***" has the meaning set forth in the Preamble to this Agreement.

(d) A Person will be deemed the "***Beneficial Owner***" of, and to "***Beneficially Own***," any securities:

(i) which such Person actually owns, directly or indirectly, or would be deemed to actually or constructively own pursuant to Section 382 of the Code and the Treasury Regulations promulgated thereunder (including any coordinated acquisition of securities by any Persons who have a formal or an informal understanding with respect to such

acquisition (to the extent that ownership of such securities would be attributed to such Persons under Section 382 of the Code and the Treasury Regulations promulgated thereunder));

(ii) which such Person or any of such Person's Affiliates or Associates beneficially owns, directly or indirectly, within the meaning of Rules 13d-3 or 13d-5 promulgated under the Exchange Act, as in effect on the date of this Agreement; provided, however, that notwithstanding anything to the contrary contained herein, a Person shall not be deemed the Beneficial Owner of, or to Beneficially Own, any stock options, shares, restricted shares or restricted stock units granted by the Board or a committee thereof to such Person in his or her capacity as an officer, director, employee or consultant of the Company;

(iii) which such Person or any of such Person's Affiliates or Associates has (A) the right or ability to vote, cause to be voted or control or direct the voting of pursuant to any agreement, arrangement or understanding, whether or not in writing; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to Beneficially Own, any security if the agreement, arrangement or understanding to vote such security (1) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations promulgated under the Exchange Act and (2) would not also then be reportable on a statement on Schedule 13D or Schedule 13G under the Exchange Act (or any comparable or successor report), or (B) whether or not in writing, the right or the obligation to become the Beneficial Owner (whether such right is exercisable or such obligation is required to be performed immediately or only after the passage of time, the occurrence of conditions or the satisfaction of regulatory requirements) pursuant to any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities), or upon the exercise of conversion rights, exchange rights, rights (other than the Rights), warrants or options, or otherwise, through conversion of a security, pursuant to the power to revoke a trust, discretionary account or similar arrangement, pursuant to the power to terminate a repurchase or similar so-called "stock-borrowing" agreement or arrangement, or pursuant to the automatic termination of a trust, discretionary account or similar arrangement; provided, however, that a Person shall not be deemed to be the Beneficial Owner of, or to Beneficially Own, securities tendered pursuant to a tender or an exchange offer made pursuant to, and in accordance with, the applicable rules and regulations promulgated under the Exchange Act until such tendered securities are accepted for purchase or exchange;

(iv) which are Beneficially Owned (within the meaning of the preceding subsections of this Section 1(d)), directly or indirectly, by any other Person with which such Person or any of such Person's Affiliates or Associates has any agreement, arrangement or understanding, whether or not in writing, for the purpose of acquiring, holding, voting or disposing of any securities of the Company; or

(v) which are the subject of, or the reference securities for, or that underlie, any Derivative Position of such Person or any of such Person's Affiliates or Associates, with the number of Common Shares deemed Beneficially Owned in respect of a Derivative Position being the notional or other number of Common Shares in respect of such Derivative

Position that is specified in (A) one or more filings with the SEC by such Person or any of such Person's Affiliates or Associates or (B) the documentation evidencing such Derivative Position as the basis upon which the value or settlement amount of such Derivative Position, or the opportunity of the holder of such Derivative Position to profit or share in any profit, is to be calculated in whole or in part (whichever of (A) or (B) is greater), or if no such number of Common Shares is specified in such filings or documentation (or such documentation is not available to the Board), as determined by the Board in its reasonable discretion.

(e) "***Board***" has the meaning set forth in the Recitals to this Agreement.

(f) "***Business Day***" means any day other than a Saturday, Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

(g) "***Close of Business***" on any given date means 5:00 p.m., New York City time, on such date; provided, however, that if such date is not a Business Day, it means 5:00 p.m., New York City time, on the next succeeding Business Day.

(h) "***Code***" has the meaning set forth in the Recitals to this Agreement.

(i) "***Common Shares***", when used with reference to the Company, means the shares of common stock, par value $0.0001 per share, of the Company; provided, however, that if the Company is the continuing or surviving corporation in a transaction described in Section 13(a)(ii), "Common Shares", when used with reference to the Company, means shares of the capital stock or units of the equity interests with the greatest aggregate voting power of the Company. "Common Shares", when used with reference to any corporation or other legal entity other than the Company, including an Issuer, means shares of the capital stock or units of the equity interests with the greatest aggregate voting power of such corporation or other legal entity.

(j) "***Company***" has the meaning set forth in the Preamble to this Agreement.

(k) "***current market price***" has the meaning set forth in Section 11(d)(i).

(l) "***Derivative Position***" means any option, warrant, convertible security, stock appreciation right, or other security, contract right or derivative position or similar right (including any "swap" transaction with respect to any security, other than a broad based market basket or index), whether or not presently exercisable, that has an exercise or a conversion privilege or a settlement payment or mechanism at a price related to the value of the Common Shares or a value determined in whole or in part with reference to, or derived in whole or in part from, the value of the Common Shares and that increases in value as the market price or value of the Common Shares increases or that provides an opportunity, directly or indirectly, to profit or share in any profit derived from any increase in the value of the Common Shares, in each case regardless of whether (i) it conveys any voting rights in such Common Shares to any Person, (ii) it is required to be, or capable of being, settled through delivery of Common Shares or (iii) any Person (including the holder of such Derivative Position) may have entered into other transactions that hedge its economic effect.

(m) "***Distribution Date***" means the earlier of: (i) the Close of Business on the tenth calendar day following the Share Acquisition Date (or, if the tenth calendar day following the Share Acquisition Date occurs before the Record Date, the Close of Business on the Record Date), or (ii) the Close of Business on the tenth Business Day (or, unless the Distribution Date shall have previously occurred, such later date as may be specified by the Board) after the commencement of a tender or an exchange offer by any Person (other than the Company, any Related Person or any Exempt Person), if upon the consummation thereof such Person would be the Beneficial Owner of 4.99% or more of the then-outstanding Common Shares.

(n) "***equivalent common shares***" has the meaning set forth in Section 11(a)(iii).

(o) "***equivalent preferred shares***" has the meaning set forth in Section 11(a)(iii).

(p) "***Effective Time***" has the meaning set forth in Section 1(a).

(q) "***Exchange Act***" means the Securities Exchange Act of 1934, as amended.

(r) "***Exchange Ratio***" has the meaning set forth in Section 24(a).

(s) "***Exemption Request***" has the meaning set forth in Section 34(a).

(t) "***Exempt Person***" means a Person whose Beneficial Ownership (together with all Affiliates and Associates of such Person) of 4.99% or more of the then-outstanding Common Shares will not, as determined by the Board in its sole discretion, jeopardize or endanger the availability to the Company of any income tax benefit, and only for so long as such Person complies with any limitations or conditions required by the Board in making such determination, provided, however, that such a Person will cease to be an Exempt Person if the Board makes a contrary determination in its sole discretion with respect to the effect of such Person's Beneficial Ownership (together with all Affiliates and Associates of such Person), regardless of the reason for such contrary determination.

(u) "***Exempt Transaction***" means any transaction that the Board determines, in its sole discretion, is exempt for purposes of this Agreement.

(v) "***Exercise Value***" has the meaning set forth in Section 11(a)(iii).

(w) "***Expiration Date***" means the earliest of (i) the Close of Business on June 2, 2024, which is the third anniversary of the date on which the Board authorized and declared a dividend distribution of the Rights, or such earlier date as of which the Board determines that this Agreement is no longer necessary for the preservation of Tax Benefits, (ii) the time at which the Rights are redeemed as provided in Section 23, (iii) the time at which all exercisable Rights are exchanged as provided in Section 24, (iv) the Close of Business on the effective date of the repeal of Section 382 of the Code or any successor or replacement provision if the Board determines that this Agreement is no longer necessary for the preservation of Tax Benefits, (v)

the Close of Business on the first day of a taxable year of the Company to which the Board determines that no Tax Benefits may be carried forward, and (vi) the Close of Business on the first Business Day following the certification of the voting results of the Company's 2021 annual meeting of stockholders, if Stockholder Approval has not been obtained prior to such date.

(x) "***Flip-in Event***" means the event described in Section 11(a)(ii).

(y) "***Flip-over Event***" means any event described in clauses (i), (ii) or (iii) of Section 13(a).

(z) "***Issuer***" has the meaning set forth in Section 13(b).

(aa) "***Person***" means any individual, firm, corporation, partnership, limited liability company, limited partnership, trust or other entity, including any group thereof making a "coordinated acquisition" of shares or otherwise treated as an "entity" within the meaning of Section 1.382-3(a)(1) of the Treasury Regulations, and includes any successor (by merger or otherwise) of such entity, but will not include a Public Group (as such term is defined in Section 1.382.2T(f)(13) of the Treasury Regulations).

(bb) "***Preferred Shares***" means shares of Series C Participating Preferred Stock, par value $0.0001 per share, of the Company having substantially the rights and preferences set forth in the form of Certificate of Designation of Series C Participating Preferred Stock attached as Exhibit A.

(cc) "***Purchase Price***" means initially $12.00 per one one-thousandth of a Preferred Share, subject to adjustment from time to time as provided in this Agreement.

(dd) "***Record Date***" has the meaning set forth in the Recitals to this Agreement.

(ee) "***Redemption Price***" means $0.0001 per Right, subject to adjustment by resolution of the Board to reflect any stock split, stock dividend or similar transaction occurring after the Record Date.

(ff) "***Related Person***" means (i) any Subsidiary of the Company or (ii) any employee benefit or stock ownership plan of the Company or of any Subsidiary of the Company or any entity holding Common Shares for or pursuant to the terms of any such plan.

(gg) "***Requesting Person***" has the meaning set forth in Section 34(a).

(hh) "***Right***" has the meaning set forth in the Recitals to this Agreement.

(ii) "***Right Certificates***" means certificates evidencing the Rights, in substantially the form attached as Exhibit B.

(jj) "***Rights Agent***" means American Stock Transfer & Trust Company, LLC, unless and until a successor Rights Agent has become such pursuant to the terms of this Agreement, and thereafter, "Rights Agent" means such successor Rights Agent.

(kk) "***Securities Act***" means the Securities Act of 1933, as amended.

(ll) "***SEC***" means the U.S. Securities and Exchange Commission.

(mm) "***Share Acquisition Date***" means the first date of public announcement by the Company or an Acquiring Person (by press release, filing made with the SEC or otherwise) that an Acquiring Person has become such or that discloses information that reveals the existence of an Acquiring Person.

(nn) "***Stockholder Approval***" means the approval of this Agreement by the affirmative vote of the holders of a majority of the voting power of the outstanding Common Shares of the Company entitled to vote (excluding the vote of any Acquiring Person) that are present in person or represented by proxy and actually voted on the proposal to approve this Agreement, at a duly called meeting of stockholders of the Company (or any adjournment or postponement thereof) at which a quorum is present.

(oo) "***Subsidiary***", when used with reference to any Person, means any corporation or other legal entity of which a majority of the voting power of the voting equity securities or equity interests is owned, directly or indirectly, by such Person; provided, however, that for purposes of Section 13(b), "Subsidiary", when used with reference to any Person, means any corporation or other legal entity of which at least 20% of the voting power of the voting equity securities or equity interests is owned, directly or indirectly, by such Person.

(pp) "***Summary of Rights***" has the meaning set forth in Section 3(a).

(qq) "***Tax Benefits***" means the net operating loss carryovers, capital loss carryovers, general business credit carryovers, alternative minimum tax credit carryovers and foreign tax credit carryovers, as well as any "net unrealized built-in loss" within the meaning of Section 382 of the Code or any successor or replacement provision, of the Company or any direct or indirect subsidiary thereof.

(rr) "***Trading Day***" means any day on which the principal national securities exchange or quotation system on which the Common Shares are listed or admitted to trading is open for the transaction of business or, if the Common Shares are not listed or admitted to trading on any national securities exchange or quotation system, a Business Day.

(ss) "***Treasury Regulations***" means final, temporary and proposed income tax regulations promulgated under the Code, including any amendments thereto.

(tt) "***Triggering Event***" means any Flip-in Event or Flip-over Event.

(uu) "***Trust***" has the meaning set forth in Section 24(a).

(vv) "***Trust Agreement***" has the meaning set forth in Section 24(a).

2. Appointment of Rights Agent. The Company hereby appoints the Rights Agent to act as rights agent for the Company in accordance with the express terms and conditions of this

Agreement (and no implied terms and conditions), and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint co-rights agents as it may deem necessary or desirable, upon 10 days' prior written notice to the Rights Agent, setting forth the respective duties of the Rights Agent and any co-rights agent. In the event that the Company appoints one or more co-rights agents, the respective duties of the Rights Agent and any co-rights agent(s) shall be as the Company shall determine and the Company shall provide written notice thereof to the Rights Agent. The Rights Agent shall have no duty to supervise, and shall in no event be liable for, the acts or omissions of any such co-rights agent.

3. Issue of Right Certificates. (a) Until the Distribution Date, (i) the Rights will be evidenced by the certificates representing Common Shares registered in the names of the record holders thereof or, in the case of uncertificated Common Shares registered in book entry form, by notation in accounts reflecting the ownership of such Common Shares (which certificates and uncertificated Common Shares, as applicable, will also be deemed to be Right Certificates), (ii) the Rights will be transferable only in connection with the transfer of the underlying Common Shares, and (iii) the transfer of any Common Shares in respect of which Rights have been issued will also constitute the transfer of the Rights associated with such Common Shares. On the Record Date, or as soon as practicable thereafter, the Company will send a copy of the Summary of Rights to Purchase Preferred Stock in substantially the form attached as Exhibit C (the "***Summary of Rights***"), by first-class mail, postage-prepaid or by such means as may be selected by the Company, to each record holder of Common Shares as of the Close of Business on the Record Date (other than any Acquiring Person or any Associate or Affiliate of any Acquiring Person), at the address of such holder shown on the records of the Company or the transfer books of the transfer agent for the Common Shares. With respect to certificates for Common Shares outstanding as of the Record Date, until the Distribution Date, the Rights will be evidenced by such certificates registered in the names of the holders thereof, together with the Summary of Rights.

(b) Rights will be issued by the Company in respect of all Common Shares (other than Common Shares issued upon the exercise or exchange of any Right) issued or delivered by the Company (whether originally issued or delivered from the Company's treasury) after the Record Date but prior to the earlier of the Distribution Date and the Expiration Date. Certificates evidencing such Common Shares will have stamped on, impressed on, printed on, written on, or otherwise affixed to them the following legend, or such similar legend in substantially the form as follows, as the Company may deem appropriate and as is not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange or quotation system on which the Common Shares may from time to time be listed or quoted, or to conform to usage:

> THIS CERTIFICATE ALSO EVIDENCES AND ENTITLES THE HOLDER HEREOF TO CERTAIN RIGHTS AS SET FORTH IN A RIGHTS AGREEMENT BETWEEN STAR EQUITY HOLDINGS, INC. AND AMERICAN STOCK TRANSFER & TRUST COMPANY, LLC (OR ANY SUCCESSOR RIGHTS AGENT), AS RIGHTS AGENT, DATED AS OF JUNE

2, 2021 (AS IT MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, THE "RIGHTS AGREEMENT"), THE TERMS OF WHICH ARE HEREBY INCORPORATED HEREIN BY REFERENCE AND A COPY OF WHICH IS ON FILE AT THE PRINCIPAL EXECUTIVE OFFICES OF STAR EQUITY HOLDINGS, INC. THE RIGHTS ARE NOT EXERCISABLE PRIOR TO THE OCCURRENCE OF CERTAIN EVENTS AS SPECIFIED IN THE RIGHTS AGREEMENT. UNDER CERTAIN CIRCUMSTANCES, AS SET FORTH IN THE RIGHTS AGREEMENT, SUCH RIGHTS MAY BE REDEEMED, MAY BE EXCHANGED, MAY EXPIRE, MAY BE AMENDED, OR MAY BE EVIDENCED BY SEPARATE CERTIFICATES AND NO LONGER BE EVIDENCED BY THIS CERTIFICATE. STAR EQUITY HOLDINGS, INC. WILL MAIL TO THE HOLDER OF THIS CERTIFICATE A COPY OF THE RIGHTS AGREEMENT, AS IN EFFECT ON THE DATE OF MAILING, WITHOUT CHARGE, PROMPTLY AFTER ITS RECEIPT OF A WRITTEN REQUEST THEREFOR. UNDER CERTAIN CIRCUMSTANCES AS SET FORTH IN THE RIGHTS AGREEMENT, RIGHTS THAT ARE OR WERE BENEFICIALLY OWNED BY AN ACQUIRING PERSON OR ANY AFFILIATE OR ASSOCIATE OF AN ACQUIRING PERSON (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT) MAY BECOME NULL AND VOID.

With respect to any uncertificated Common Shares, a legend in substantially similar form will be included in a notice to the record holder of such shares in accordance with applicable law. Notwithstanding the provisions of this Section, neither the omission of a legend nor the failure to deliver the notice of such legend required hereby shall affect the enforceability of any part of this Agreement or the rights of any holder of Rights.

(c) Any Right Certificate issued pursuant to this Section 3 that represents Rights Beneficially Owned by an Acquiring Person or any Associate or Affiliate thereof and any Right Certificate issued at any time upon the transfer of any Rights to an Acquiring Person or any Associate or Affiliate thereof or to any nominee of such Acquiring Person, Associate or Affiliate and any Right Certificate issued pursuant to Section 6 or 11 hereof upon the transfer, exchange, replacement or adjustment of any other Right Certificate referred to in this sentence, shall be subject to and contain the following legend, or such similar legend in substantially the form as follows, as the Company may deem appropriate and as is not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Rights may from time to time be listed, or to conform to usage:

THE RIGHTS REPRESENTED BY THIS RIGHT CERTIFICATE ARE OR WERE BENEFICIALLY OWNED BY A PERSON WHO WAS AN ACQUIRING PERSON OR AN AFFILIATE OR AN ASSOCIATE OF AN ACQUIRING PERSON (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT). THIS RIGHT CERTIFICATE AND THE RIGHTS REPRESENTED HEREBY MAY BECOME NULL AND VOID IN THE

CIRCUMSTANCES SPECIFIED IN SECTION 11(A)(II) OR SECTION 13 OF THE RIGHTS AGREEMENT.

(d) As promptly as practicable after the Company has notified the Rights Agent of the occurrence of the Distribution Date as set forth herein, the Company will prepare and execute, the Rights Agent will countersign and the Company will send or cause to be sent (or, the Rights Agent will, if requested in writing to do so by the Company and provided with all necessary and relevant information and documentation, in form and substance reasonably satisfactory to the Rights Agent, send), by first-class, insured, postage prepaid mail, to each record holder of Common Shares as of the Close of Business on the Distribution Date, at the address of such holder shown on the records of the Company or the transfer agent or registrar for such Common Shares, a Right Certificate evidencing one Right for each Common Share so held, subject to adjustment as provided herein. As of, and after, the Distribution Date, the Rights will be evidenced solely by such Right Certificates. The Company shall promptly notify the Rights Agent in writing upon the occurrence of the Distribution Date and, if such notification is given orally, the Company shall confirm the same in writing within two Business Days.

(e) In the event that the Company purchases or otherwise acquires any Common Shares after the Record Date but prior to the Distribution Date, any Rights associated with such Common Shares will be deemed canceled and retired so that the Company will not be entitled to exercise any Rights associated with the Common Shares so purchased or acquired.

4. Form of Right Certificates. The Right Certificates (and the form of election to purchase and the form of assignment to be printed on the reverse thereof) will be substantially in the form attached as Exhibit B with such changes and marks of identification or designation, and such legends, summaries or endorsements printed thereon, as the Company may deem appropriate (but which will not affect the rights, duties, liabilities, protections or responsibilities of the Rights Agent hereunder) and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange or quotation system on which the Rights may from time to time be listed or quoted, or to conform to usage. Subject to the provisions of Section 22, the Right Certificates, whenever issued, on their face will entitle the holders thereof to purchase such number of one one-thousandths of a Preferred Share as is set forth therein at the Purchase Price set forth therein, but the Purchase Price, the number and kind of securities issuable upon the exercise of each Right and the number of Rights outstanding will be subject to adjustment as provided herein.

5. Countersignature and Registration. (a) The Right Certificates will be executed on behalf of the Company by its Chairman of the Board, Chief Executive Officer, President or Chief Financial Officer, either manually or by facsimile signature, and will have affixed thereto the Company's seal or a facsimile thereof, which will be attested to by the Secretary or an Assistant Secretary of the Company, either manually or by facsimile signature. The Right Certificates will be countersigned by an authorized signatory of the Rights Agent, either manually or by facsimile signature, and will not be valid for any purpose unless so countersigned. In case any officer of the Company who signed any of the Right Certificates ceases to be such an officer of the Company before countersignature by the Rights Agent and issuance and delivery by the

Company, such Right Certificates, nevertheless, may be countersigned by the Rights Agent, and issued and delivered by the Company with the same force and effect as though the person who signed such Right Certificates had not ceased to be such an officer of the Company; and any Right Certificate may be signed on behalf of the Company by any person who, at the actual date of the execution of such Right Certificate, is a proper officer of the Company to sign such Right Certificate, although at the date of the execution of this Agreement any such person was not such an officer. In case any authorized signatory of the Rights Agent who has countersigned any Right Certificate ceases to be an authorized signatory of the Rights Agent before issuance and delivery by the Company, such Right Certificate, nevertheless, may be issued and delivered by the Company with the same force and effect as though the person who countersigned such Right Certificate had not ceased to be an authorized signatory of the Rights Agent; and any Right Certificate may be countersigned on behalf of the Rights Agent by any person who, at the actual date of the countersignature of such Right Certificate, is properly authorized to countersign such Right Certificate, although at the date of the execution of this Rights Agreement any such person was not so authorized.

(b) Following the Distribution Date, upon receipt by the Rights Agent of notice to that effect and all other relevant information and documentation as referred to in Section 3(d), the Rights Agent will keep or cause to be kept, at the office of the Rights Agent designated for such purpose and at such other offices as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange or any quotation system on which the Rights may from time to time be listed or quoted, books for registration and transfer of the Right Certificates issued hereunder. Such books will show the names and addresses of the respective holders of the Right Certificates, the number of Rights evidenced on its face by each of the Right Certificates and the date of each of the Right Certificates.

6. Transfer, Split Up, Combination and Exchange of Right Certificates; Mutilated, Destroyed, Lost or Stolen Right Certificates. (a) Subject to the provisions of Sections 7(d) and 14, at any time after the Close of Business on the Distribution Date and prior to the Expiration Date, any Right Certificate or Right Certificates representing exercisable Rights may be transferred, split up, combined or exchanged for another Right Certificate or Right Certificates, entitling the registered holder to purchase a like number of one one-thousandths of a Preferred Share (or other securities, as the case may be) as the Right Certificate or Right Certificates surrendered then entitled such holder (or former holder in the case of a transfer) to purchase. Any registered holder desiring to transfer, split up, combine or exchange any such Right Certificate or Right Certificates must make such request in a writing delivered to the Rights Agent and must surrender the Right Certificate or Right Certificates to be transferred, split up, combined or exchanged at the office or offices of the Rights Agent designated for such purpose, along with a signature guarantee (if required) and such other and further documentation as the Company or the Rights Agent may reasonably request. Neither the Rights Agent nor the Company shall be obligated to take any action whatsoever with respect to the transfer of any such surrendered Right Certificate until the registered holder has properly completed and duly signed the certificate contained in the form of assignment on the reverse side of such Right Certificate and has provided such additional evidence, as the Company or the Rights Agent may reasonably

request, of the identity of the Beneficial Owner (or former Beneficial Owner), any Affiliates or Associates of such Beneficial Owner, or of any other Person with which such Beneficial Owner or any of such Beneficial Owner's Affiliates or Associates has any agreement, arrangement or understanding (whether or not in writing) for the purpose of acquiring, holding, voting or disposing of securities of the Company. Thereupon or as promptly as practicable thereafter, subject to the provisions of Sections 7(d) and 14, the Company will prepare, execute and deliver to the Rights Agent, and the Rights Agent will countersign and deliver to the Person entitled thereto, a Right Certificate or Right Certificates, as the case may be, as so requested. Pursuant to this Agreement, the Company or the Rights Agent may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split up, combination or exchange of Right Certificates. The Rights Agent will not have any duty or obligation to take any action pursuant to any Section of this Agreement that requires the payment of such taxes and/or charges unless and until it is satisfied that all such taxes and/or charges have been paid, and the Rights Agent shall promptly forward any such sum collected by it to the Company or to such Persons as the Company may specify by written notice.

(b) Upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a Right Certificate and, in case of loss, theft or destruction, of indemnity or security satisfactory to them, along with such other and further documentation as the Company or the Rights Agent may reasonably request, and, if requested by the Company, reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Right Certificate if mutilated, the Company will prepare, execute and deliver a new Right Certificate of like tenor to the Rights Agent and the Rights Agent will countersign and deliver such new Right Certificate to the registered holder in lieu of the Right Certificate so lost, stolen, destroyed or mutilated.

7. Exercise of Rights; Purchase Price; Expiration Date of Rights; Partial Exercise; Information Concerning Ownership. (a) The registered holder of any Right Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein), in whole or in part, at any time after the Distribution Date and prior to the Expiration Date, upon the surrender of the Right Certificate, with the form of election to purchase and the certificate on the reverse side thereof properly completed and duly executed (with such signature duly guaranteed, if required), to the Rights Agent at the office or offices of the Rights Agent designated for such purpose, together with payment in cash, in lawful money of the United States of America, by certified check or bank draft payable to the order of the Company, equal to the sum of (i) the exercise price for the total number of securities as to which such surrendered Rights are exercised and (ii) an amount equal to any applicable tax and/or charge required to be paid by the holder of such Right Certificate in accordance with the provisions of Section 9(d). Except for those provisions herein that expressly survive the termination of this Agreement, this Agreement shall terminate upon the earlier to occur of (x) the Expiration Date and (y) such time as all outstanding Rights have been exercised, redeemed or exchanged pursuant to the terms of this Agreement.

(b) Except as otherwise provided herein, upon receipt of a Right Certificate representing exercisable Rights, with the form of election to purchase properly completed and

duly executed, accompanied by payment as described above, the Rights Agent will promptly (i) requisition from any transfer agent of the Preferred Shares (or make available, if the Rights Agent is the transfer agent) certificates representing the number of one one-thousandths of a Preferred Share to be purchased or, in the case of uncertificated shares or other securities, requisition from any transfer agent therefor a notice setting forth such number of shares or other securities to be purchased for which registration will be made on the stock transfer books of the Company (and the Company hereby irrevocably authorizes and directs its transfer agent to comply with all such requests), or, if the Company elects to deposit Preferred Shares issuable upon the exercise of the Rights hereunder with a depositary agent, requisition from the depositary agent depositary receipts representing such number of one one-thousandths of a Preferred Share as are to be purchased (and the Company hereby irrevocably authorizes and directs such depositary agent to comply with all such requests), (ii) after receipt of such certificates (or notices or depositary receipts, as the case may be), cause the same to be delivered to or upon the order of the registered holder of such Right Certificate, registered in such name or names as may be designated by such holder, (iii) when necessary to comply with this Agreement, requisition from the Company or any transfer agent therefor (or make available, if the Rights Agent is the transfer agent) certificates representing the number of equivalent common shares (or, in the case of uncertificated shares, a notice of the number of equivalent common shares for which registration will be made on the stock transfer books of the Company) to be issued in lieu of the issuance of Common Shares in accordance with the provisions of Section 11(a)(iii), (iv) when necessary to comply with this Agreement, after receipt of such certificates or notices, cause the same to be delivered to or upon the order of the registered holder of such Right Certificate, registered in such name or names as may be designated by such holder, (v) when necessary to comply with this Agreement, requisition from the Company the amount of cash to be paid in lieu of the issuance of fractional shares in accordance with the provisions of Section 14 or in lieu of the issuance of Common Shares in accordance with the provisions of Section 11(a)(iii), (vi) when necessary to comply with this Agreement, after receipt, deliver such cash to or upon the order of the registered holder of such Right Certificate, and (vii) when necessary to comply with this Agreement, deliver any due bill or other instrument provided to the Rights Agent by the Company for delivery to the registered holder of such Right Certificate as provided in Section 11(l).

(c) Except as otherwise provided herein, in case the registered holder of any Right Certificate properly exercises less than all of the Rights evidenced thereby, the Company will prepare, execute and deliver a new Right Certificate evidencing the Rights remaining unexercised and the Rights Agent will countersign and deliver such new Right Certificate to the registered holder of such Right Certificate or to his, hers or its duly authorized assigns, subject to the provisions of Section 14.

(d) Notwithstanding anything in this Agreement to the contrary, neither the Rights Agent nor the Company will be obligated to undertake any action with respect to any purported transfer, split up, combination or exchange of any Right Certificate pursuant to Section 6 or exercise of a Right Certificate as set forth in this Section 7 unless the registered holder of such Right Certificate has (i) properly completed and duly executed the certificate following the form of assignment or the form of election to purchase, as applicable, set forth on the reverse

side of the Right Certificate surrendered for such transfer, split up, combination, exchange or exercise and (ii) provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company or the Rights Agent may reasonably request.

8. Cancellation and Destruction of Right Certificates. All Right Certificates surrendered for the purpose of exercise, transfer, split up, combination or exchange will, if surrendered to the Company or to any of its stock transfer agents, be delivered to the Rights Agent for cancellation or in canceled form, or, if surrendered to the Rights Agent, will be canceled by it, and no Right Certificates will be issued in lieu thereof except as expressly permitted by the provisions of this Agreement. The Company will deliver to the Rights Agent for cancellation and retirement, and the Rights Agent will so cancel and retire, any other Right Certificate purchased or acquired by the Company otherwise than upon the exercise thereof. The Rights Agent will deliver all canceled Right Certificates to the Company, or will, at the written request of the Company, destroy such canceled Right Certificates, and in such case will deliver a certificate of destruction thereof to the Company.

9. Company Covenants Concerning Securities and Rights. The Company covenants and agrees that:

(a) It will cause to be reserved and kept available out of its authorized and unissued Preferred Shares or any Preferred Shares held in its treasury, a number of Preferred Shares that will be sufficient to permit the exercise pursuant to Section 7 of all outstanding Rights.

(b) So long as the Preferred Shares (and, following the occurrence of a Triggering Event, Common Shares and/or other securities) issuable upon the exercise of the Rights may be listed on a national securities exchange or quoted on a quotation system, it will endeavor to cause, from and after such time as the Rights become exercisable, all securities reserved for issuance upon the exercise of Rights to be listed on such exchange or quoted on such system, upon official notice of issuance upon such exercise.

(c) It will take all such action as may be necessary to ensure that all Preferred Shares (and, following the occurrence of a Triggering Event, Common Shares and/or other securities) delivered (or evidenced by registration on the stock transfer books of the Company) upon the exercise of Rights, at the time of delivery of the certificates for (or registration of) such securities, will be (subject to payment of the Purchase Price) duly authorized, validly issued, fully paid and non-assessable securities.

(d) It will pay when due and payable any and all transfer taxes and/or charges that may be payable in respect of the issuance or delivery of the Right Certificates and of any certificates representing securities issued upon the exercise of Rights (or, if such securities are uncertificated, the registration of such securities on the stock transfer books of the Company); provided, however, that the Company will not be required to pay any transfer tax or charge which may be payable in respect of any transfer or delivery of Right Certificates to a person other than, or the issuance or delivery of certificates or depositary receipts representing (or the

registration of) securities issued upon the exercise of Rights in a name other than that of, the registered holder of the Right Certificate evidencing Rights surrendered for exercise, or to issue or deliver any certificates, depositary receipts or notices representing securities issued upon the exercise of any Rights until any such tax or charge has been paid (any such tax or charge being payable by the holder of such Right Certificate at the time of surrender) or until it has been established to the Company's and the Rights Agent's reasonable satisfaction that no such tax or charge is due.

(e) If the Company, based on the advice of its counsel, determines that a registration statement should be filed under the Securities Act with respect to the securities issuable upon exercise of the Rights, the Company will use all reasonable efforts (i) to file on an appropriate form, as soon as practicable following the later of the Share Acquisition Date and the Distribution Date, a registration statement under the Securities Act with respect to the securities issuable upon exercise of the Rights, (ii) to cause such registration statement to become effective as soon as practicable after such filing, and (iii) to cause such registration statement to remain effective (with a prospectus at all times meeting the requirements of the Securities Act) until the earlier of (A) the date as of which the Rights are no longer exercisable for such securities and (B) the Expiration Date. The Company will also take such action as may be appropriate under, or to ensure compliance with, the applicable state securities or "blue sky" laws in connection with the exercisability of the Rights. The Company may temporarily suspend, for a period of time after the date set forth in clause (i) of the first sentence of this Section 9(e), the exercisability of the Rights in order to prepare and file such registration statement and to permit it to become effective. Upon any such suspension, the Company will issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect, in each case with prompt written notice to the Rights Agent. In addition, if the Company determines that a registration statement should be filed under the Securities Act or any state securities laws following the Distribution Date, the Company may temporarily suspend the exercisability of the Rights in each relevant jurisdiction until such time as a registration statement has been declared effective and, upon any such suspension, the Company will issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect, in each case with prompt written notice to the Rights Agent. Notwithstanding anything in this Agreement to the contrary, the Rights will not be exercisable in any jurisdiction if the requisite registration or qualification in such jurisdiction has not been effected or the exercise of the Rights is not permitted under applicable law.

(f) In the event that the Company is obligated to issue other securities of the Company and/or pay cash pursuant to Sections 11, 13, 14, 23 or 24, it will make all arrangements necessary so that such other securities and/or cash are available for distribution by the Rights Agent, if and when appropriate.

10. Record Date. Each Person in whose name any certificate representing Preferred Shares (or Common Shares and/or other securities, as the case may be) is issued (or in which such securities are registered upon the stock transfer books of the Company) upon the exercise of Rights will for all purposes be deemed to have become the holder of record of the Preferred

Shares (or Common Shares and/or other securities, as the case may be) represented thereby on, and such certificate (or registration) will be dated, the date upon which the Right Certificate evidencing such Rights was duly surrendered and payment of the Purchase Price and all applicable transfer taxes and/or charges was made; provided, however, that if the date of such surrender and payment is a date upon which the transfer books of the Company for the Preferred Shares (or Common Shares and/or other securities, as the case may be) are closed, such Person will be deemed to have become the record holder of such securities on, and such certificate (or registration) will be dated, the next succeeding Business Day on which the transfer books of the Company for the Preferred Shares (or Common Shares and/or other securities, as the case may be) are open. Prior to the exercise of the Rights evidenced thereby, the holder of a Right Certificate will not be entitled to any rights of a holder of any security for which the Rights are or may become exercisable, including, without limitation, the right to vote, to receive dividends or other distributions, or to exercise any preemptive rights, and will not be entitled to receive any notice of any proceedings of the Company, except as provided herein.

11. Adjustment of Purchase Price, Number and Kind of Securities or Number of Rights. The Purchase Price, the number and kind of securities issuable upon the exercise of each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

(a) (i) In the event that the Company at any time after the Record Date (A) declares a dividend on the Preferred Shares payable in Preferred Shares, (B) subdivides the outstanding Preferred Shares, (C) combines the outstanding Preferred Shares into a smaller number of Preferred Shares, or (D) issues any shares of its capital stock in a reclassification of the Preferred Shares (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), except as otherwise provided in this Section 11(a), the Purchase Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification and/or the number and/or kind of shares of capital stock issuable on such date upon the exercise of a Right, will be proportionately adjusted so that the holder of any Right exercised after such time is entitled to receive upon payment of the Purchase Price then in effect the aggregate number and kind of shares of capital stock which, if such Right had been exercised immediately prior to such date and at a time when the transfer books of the Company for the Preferred Shares were open, the holder of such Right would have owned upon such exercise (and, in the case of a reclassification, would have retained after giving effect to such reclassification) and would have been entitled to receive by virtue of such dividend, subdivision, combination or reclassification; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock issuable upon the exercise of one Right. If an event occurs which would require an adjustment under both this Section 11(a)(i) and Section 11(a)(ii) or Section 13, the adjustment provided for in this Section 11(a)(i) will be in addition to, and will be made prior to, any adjustment required pursuant to Section 11(a)(ii) or Section 13.

(ii) Subject to the provisions of Section 23 and Section 24, if any Person becomes an Acquiring Person, unless the event causing such Person to become an

Acquiring Person is a transaction set forth in Section 13(a) hereof, proper provision will be made so that each holder of a Right, except as provided below, will thereafter have the right to receive, upon the exercise thereof in accordance with the terms of this Agreement at an exercise price per Right equal to the product of the then-current Purchase Price multiplied by the number of one one-thousandths of a Preferred Share for which a Right was exercisable immediately prior to the date of the occurrence of such Flip-in Event (or, if any other Flip-in Event shall have previously occurred, the product of the then-current Purchase Price multiplied by the number of one one-thousandths of a Preferred Share for which a Right was exercisable immediately prior to the date of the first occurrence of a Flip-in Event), in lieu of Preferred Shares, such number of Common Shares as equals the result obtained by (x) multiplying the then-current Purchase Price by the number of one one-thousandths of a Preferred Share for which a Right was exercisable immediately prior to the date of the occurrence of such Flip-in Event (or, if any other Flip-in Event shall have previously occurred, multiplying the then-current Purchase Price by the number of one one-thousandths of a Preferred Share for which a Right was exercisable immediately prior to the date of the first occurrence of a Flip-in Event), and dividing that product by (y) 50% of the current per share market price of the Common Shares (as determined pursuant to Section 11(d)) on the date of the occurrence of such Flip-in Event. Notwithstanding anything in this Agreement to the contrary, from and after the first occurrence of a Flip-in Event, any Rights that are Beneficially Owned by (A) any Acquiring Person (or any Affiliate or Associate of any Acquiring Person), (B) a transferee of any Acquiring Person (or any such Affiliate or Associate) who becomes a transferee after the occurrence of a Flip-in Event, or (C) a transferee of any Acquiring Person (or any such Affiliate or Associate) who became a transferee prior to or concurrently with the occurrence of a Flip-in Event pursuant to either (1) a transfer from an Acquiring Person to holders of its equity securities or to any Person with whom it has any continuing agreement, arrangement or understanding regarding the transferred Rights or (2) a transfer which the Board has determined is part of a plan, an arrangement or understanding which has the purpose or effect of avoiding the provisions of this Section 11(a)(ii), and any subsequent transferees of any of such Persons, will be null and void without any further action and any holder of such Rights will thereafter have no rights whatsoever with respect to such Rights under any provision of this Agreement. The Company will use all reasonable efforts to ensure that the provisions of this Section 11(a)(ii) are complied with, but will have no liability to any holder of Right Certificates or any other Person as a result of its failure to make any determinations with respect to an Acquiring Person or its Affiliates, Associates or transferees hereunder. Upon the occurrence of a Flip-in Event, no Right Certificate that represents Rights that are or have become null and void pursuant to the provisions of this Section 11(a)(ii) will thereafter be issued pursuant to Section 3 or Section 6, and any Right Certificate delivered to the Rights Agent that represents Rights that are or have become null and void pursuant to the provisions of this Section 11(a)(ii) will be canceled. Upon the occurrence of a Flip-over Event, any Rights that shall not have been previously exercised pursuant to this Section 11(a)(ii) shall thereafter be exercisable only pursuant to Section 13 and not pursuant to this Section 11(a)(ii).

(iii) Upon the occurrence of a Flip-in Event, if there are not sufficient Common Shares authorized but unissued or issued but not outstanding to permit the issuance of all Common Shares issuable in accordance with Section 11(a)(ii) upon the exercise of a Right, the Board will use its best efforts to promptly authorize and, subject to the provisions of Section

9(e), make available for issuance additional Common Shares or other equity securities of the Company having equivalent voting rights and an equivalent value (as determined in good faith by the Board) to the Common Shares (for purposes of this Section 11(a)(iii), "***equivalent common shares***"). In the event that equivalent common shares are so authorized, upon the exercise of a Right in accordance with the provisions of Section 7, the registered holder will be entitled to receive (A) Common Shares, to the extent any are available, and (B) a number of equivalent common shares, which the Board has determined in good faith to have a value equivalent to the excess of (x) the aggregate current per share market value on the date of the occurrence of the most recent Flip-in Event of all Common Shares issuable in accordance with Section 11(a)(ii) upon the exercise of a Right (the "***Exercise Value***") over (y) the aggregate current per share market value on the date of the occurrence of the most recent Flip-in Event of any Common Shares available for issuance upon the exercise of such Right; provided, however, that if at any time after 90 calendar days after the latest of the Share Acquisition Date, the Distribution Date and the date of the occurrence of the most recent Flip-in Event, there are not sufficient Common Shares and/or equivalent common shares available for issuance upon the exercise of a Right, then the Company will be obligated to deliver, upon the surrender of such Right and without requiring payment of the Purchase Price, Common Shares (to the extent available), equivalent common shares (to the extent available) and then cash (to the extent permitted by applicable law and any agreements or instruments to which the Company is a party in effect immediately prior to the Share Acquisition Date), which securities and cash have an aggregate value equal to the excess of (1) the Exercise Value over (2) the product of the then-current Purchase Price multiplied by the number of one one-thousandths of a Preferred Share for which a Right was exercisable immediately prior to the date of the occurrence of the most recent Flip-in Event (or, if any other Flip-in Event shall have previously occurred, the product of the then-current Purchase Price multiplied by the number of one one-thousandths of a Preferred Share for which a Right would have been exercisable immediately prior to the date of the occurrence of such Flip-in Event if no other Flip-in Event had previously occurred). To the extent that any legal or contractual restrictions prevent the Company from paying the full amount of cash payable in accordance with the foregoing sentence, the Company will pay to holders of the Rights as to which such payments are being made all amounts which are not then restricted on a pro rata basis and will continue to make payments on a pro rata basis as promptly as funds become available until the full amount due to each such holder of Rights has been paid.

(b) In the event that the Company fixes a record date for the issuance of rights, options or warrants to all holders of Preferred Shares entitling them (for a period expiring within 45 calendar days after such record date) to subscribe for or purchase Preferred Shares (or securities having equivalent rights, privileges and preferences as the Preferred Shares (for purposes of this Section 11(b), "***equivalent preferred shares***")) or securities convertible into Preferred Shares or equivalent preferred shares at a price per Preferred Share or equivalent preferred share (or having a conversion price per share, if a security convertible into Preferred Shares or equivalent preferred shares) less than the current per share market price of the Preferred Shares (as determined pursuant to Section 11(d)) on such record date, the Purchase Price to be in effect after such record date will be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which is the number of Preferred Shares outstanding on such record date plus the number of Preferred Shares

which the aggregate offering price of the total number of Preferred Shares and/or equivalent preferred shares so to be offered (and/or the aggregate initial conversion price of the convertible securities so to be offered) would purchase at such current per share market price, and the denominator of which is the number of Preferred Shares outstanding on such record date plus the number of additional Preferred Shares and/or equivalent preferred shares to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible); provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock issuable upon the exercise of one Right. In case such subscription price may be paid in a consideration part or all of which is in a form other than cash, the value of such consideration will be as determined in good faith by the Board, which determination will be described in a written statement filed with the Rights Agent. Preferred Shares owned by or held for the account of the Company will not be deemed outstanding for the purposes of any such computation. Such adjustment will be made successively whenever such a record date is fixed, and in the event that such rights, options or warrants are not so issued, the Purchase Price will be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(c) In the event that the Company fixes a record date for the making of a distribution to all holders of Preferred Shares (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing or surviving corporation) of evidences of indebtedness, cash (other than a regular periodic cash dividend), assets, stock (other than a dividend payable in Preferred Shares) or subscription rights, options or warrants (excluding those referred to in Section 11(b)), the Purchase Price to be in effect after such record date will be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which is the current per share market price of the Preferred Shares (as determined pursuant to Section 11(d)) on such record date or, if earlier, the date on which the Preferred Shares begin to trade on an ex-dividend or when issued basis for such distribution, less the fair market value (as determined in good faith by the Board, which determination will be described in a written statement filed with the Rights Agent) of the portion of the evidences of indebtedness, cash, assets or stock so to be distributed or of such subscription rights, options or warrants applicable to one Preferred Share, and the denominator of which is such current per share market price of the Preferred Shares; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock issuable upon the exercise of one Right. Such adjustments will be made successively whenever such a record date is fixed; and in the event that such distribution is not so made, the Purchase Price will again be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(d) (i) For the purposes of any computation hereunder, the "***current per share market price***" of Common Shares on any date will be deemed to be the average of the daily closing prices per share of such Common Shares for the 30 consecutive Trading Days immediately prior to but not including such date; provided, however, that in the event that the current per share market price of the Common Shares is determined during a period following the announcement by the issuer of such Common Shares of (A) a dividend or distribution on such Common Shares payable in such Common Shares or securities convertible into such

Common Shares (other than the Rights) or (B) any subdivision, combination or reclassification of such Common Shares, and prior to the expiration of 30 Trading Days after but not including the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, then, and in each such case, the current per share market price will be appropriately adjusted to take into account ex-dividend trading or to reflect the current per share market price per equivalent common share. The closing price for each day will be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated quotation system with respect to securities listed or admitted to trading on The NASDAQ Stock Market LLC or, if the Common Shares are not listed or admitted to trading on The NASDAQ Stock Market LLC, as reported in the principal consolidated quotation system with respect to securities listed on the principal national securities exchange on which the Common Shares are listed or admitted to trading or, if the Common Shares are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by such market then in use, or, if on any such date the Common Shares are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Common Shares selected by the Board. If the Common Shares are not publicly held or not so listed or traded, or are not the subject of available bid and asked quotes, "current per share market price" will mean the fair value per share as determined in good faith by the Board, which determination will be described in a written statement filed with the Rights Agent.

(ii) For the purposes of any computation hereunder, the "***current per share market price***" of the Preferred Shares will be determined in the same manner as set forth above for the Common Shares in Section 11(d)(i), other than the last sentence thereof. If the current per share market price of the Preferred Shares cannot be determined in the manner provided above, the "current per share market price" of the Preferred Shares will be conclusively deemed to be an amount equal to the current per share market price of the Common Shares multiplied by 1,000 (as such number may be appropriately adjusted to reflect events, such as stock splits, stock dividends, recapitalizations or similar transactions relating to the Common Shares occurring after the date of this Agreement). If neither the Common Shares nor the Preferred Shares are publicly held or so listed or traded, or the subject of available bid and asked quotes, "current per share market price" of the Preferred Shares will mean the fair value per share as determined in good faith by the Board, which determination will be described in a written statement filed with the Rights Agent. For all purposes of this Agreement, the current per share market price of one one-thousandth of a Preferred Share will be equal to the current per share market price of one Preferred Share divided by 1,000.

(e) Except as set forth below, no adjustment in the Purchase Price will be required unless such adjustment would require an increase or a decrease of at least 1% in such price; provided, however, that any adjustments which by reason of this Section 11(e) are not required to be made will be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 will be made to the nearest cent or to the nearest one one-millionth of a Preferred Share or one ten-thousandth of a Common Share or other security, as the case may be. Notwithstanding the first sentence of this Section 11(e), any adjustment required by

this Section 11 will be made no later than the earlier of (i) three years from the date of the transaction which requires such adjustment and (ii) the Expiration Date.

(f) If, as a result of an adjustment made pursuant to Section 11(a), the holder of any Right thereafter exercised becomes entitled to receive any securities of the Company other than Preferred Shares, thereafter the number and/or kind of such other securities so receivable upon the exercise of any Right (and/or the Purchase Price in respect thereof) will be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Preferred Shares (and the Purchase Price in respect thereof) contained in this Section 11, and the provisions of Sections 7, 9, 10, 13 and 14 with respect to the Preferred Shares (and the Purchase Price in respect thereof) will apply on like terms to any such other securities (and the Purchase Price in respect thereof).

(g) All Rights originally issued by the Company subsequent to any adjustment made to the Purchase Price hereunder will evidence the right to purchase, at the adjusted Purchase Price, the number of one one-thousandths of a Preferred Share issuable from time to time hereunder upon the exercise of the Rights, all subject to further adjustment as provided herein.

(h) Unless the Company has exercised its election as provided in Section 11(i), upon each adjustment of the Purchase Price pursuant to Section 11(b) or Section 11(c), each Right outstanding immediately prior to the making of such adjustment will thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of one one-thousandths of a Preferred Share (calculated to the nearest one one-millionth of a Preferred Share) obtained by (i) multiplying (x) the number of one one-thousandths of a Preferred Share issuable upon the exercise of a Right immediately prior to such adjustment of the Purchase Price by (y) the Purchase Price in effect immediately prior to such adjustment of the Purchase Price and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.

(i) The Company may elect, on or after the date of any adjustment of the Purchase Price, to adjust the number of Rights in substitution for any adjustment in the number of one one-thousandths of a Preferred Share issuable upon the exercise of a Right. Each of the Rights outstanding after such adjustment of the number of Rights will be exercisable for the number of one one-thousandths of a Preferred Share for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights will become that number of Rights (calculated to the nearest one ten-thousandth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after adjustment of the Purchase Price. The Company will make a public announcement (with prompt written notice thereof to the Rights Agent) of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. Such record date may be the date on which the Purchase Price is adjusted or any day thereafter, but, if the Right Certificates have been issued, will be at least 10 calendar days later than the date of the public announcement. If Right Certificates have been issued, upon each adjustment of the number of

Rights pursuant to this Section 11(i), the Company will, as promptly as practicable, cause to be distributed to holders of record of Right Certificates on such record date Right Certificates evidencing, subject to the provisions of Section 14, the additional Rights to which such holders are entitled as a result of such adjustment, or, at the option of the Company, will cause to be distributed to such holders of record in substitution and replacement for the Right Certificates held by such holders prior to the date of adjustment, and upon surrender thereof if required by the Company, new Right Certificates evidencing all Rights to which such holders are entitled after such adjustment. Right Certificates so to be distributed will be issued, executed, and countersigned in the manner provided for herein (and may bear, at the option of the Company, the adjusted Purchase Price) and will be registered in the names of the holders of record of Right Certificates on the record date specified in the public announcement.

(j) Without respect to any adjustment or change in the Purchase Price and/or the number and/or kind of securities issuable upon the exercise of the Rights, the Right Certificates theretofore and thereafter issued may continue to express the Purchase Price and the number and kind of securities which were expressed in the initial Right Certificates issued hereunder.

(k) Before taking any action that would cause an adjustment reducing the Purchase Price below one one-thousandth of the then par value, if any, of the Preferred Shares or below the then par value, if any, of any other securities of the Company issuable upon the exercise of the Rights, the Company will take any corporate action which may, based on the advice of its counsel, be necessary in order that the Company may validly and legally issue fully paid and non-assessable Preferred Shares or such other securities, as the case may be, at such adjusted Purchase Price.

(l) In any case in which this Section 11 otherwise requires that an adjustment in the Purchase Price be made effective as of a record date for a specified event, the Company may elect to defer (with prompt written notice thereof to the Rights Agent) until the occurrence of such event the issuance to the holder of any Right exercised after such record date the number of Preferred Shares or other securities of the Company, if any, issuable upon such exercise over and above the number of Preferred Shares or other securities of the Company, if any, issuable upon such exercise on the basis of the Purchase Price in effect prior to such adjustment; provided, however, that the Company delivers to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional Preferred Shares or other securities upon the occurrence of the event requiring such adjustment.

(m) Notwithstanding anything in this Agreement to the contrary, the Company will be entitled to make such reductions in the Purchase Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that in its good faith judgment the Board determines to be advisable in order that any (i) consolidation or subdivision of the Preferred Shares, (ii) issuance wholly for cash of Preferred Shares at less than the current per share market price therefor, (iii) issuance wholly for cash of Preferred Shares or securities which by their terms are convertible into or exchangeable for Preferred Shares, (iv) stock dividends, or

(v) issuance of rights, options or warrants referred to in this Section 11, hereafter made by the Company to holders of its Preferred Shares is not taxable to such stockholders.

(n) Notwithstanding anything in this Agreement to the contrary, in the event that the Company at any time after the Record Date, but prior to the Distribution Date (i) pays a dividend on the outstanding Common Shares payable in Common Shares, (ii) subdivides the outstanding Common Shares, (iii) combines the outstanding Common Shares into a smaller number of shares, or (iv) issues any shares of its capital stock in a reclassification of the outstanding Common Shares (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), the number of Rights associated with each Common Share then outstanding, or issued or delivered thereafter but prior to the Distribution Date, will be proportionately adjusted so that the number of Rights thereafter associated with each Common Share following any such event equals the result obtained by multiplying the number of Rights associated with each Common Share immediately prior to such event by a fraction, the numerator of which is the total number of Common Shares outstanding immediately prior to the occurrence of the event and the denominator of which is the total number of Common Shares outstanding immediately following the occurrence of such event. The adjustments provided for in this Section 11(n) will be made successively whenever such a dividend is paid or such a subdivision, combination or reclassification is effected.

12. Certificate of Adjusted Purchase Price or Number of Securities. Whenever an adjustment is made as provided in Section 11 or Section 13, the Company will promptly (a) prepare a certificate setting forth such adjustment and a brief statement of the facts accounting for such adjustment, (b) file with the Rights Agent and with each transfer agent for the Preferred Shares and the Common Shares a copy of such certificate, and (c) if such adjustment is made after the Distribution Date, mail a brief summary of such adjustment to each holder of a Right Certificate in accordance with Section 26. The Rights Agent shall be fully protected in relying on any such certificate and on any adjustments or statements therein contained and shall have no duty or liability with respect to, and shall not be deemed to have knowledge of, any such adjustment or any such event unless and until it shall have received such a certificate.

13. Consolidation, Merger or Sale or Transfer of Assets or Earning Power. (a) In the event that, at any time after a Person has become an Acquiring Person:

(i) the Company consolidates with, or merges with or into, any other Person and the Company is not the continuing or surviving corporation of such consolidation or merger; or

(ii) any Person consolidates with the Company, or merges with or into the Company, and the Company is the continuing or surviving corporation of such merger or consolidation and, in connection with such merger or consolidation, all, or part, of the Common Shares are changed into or exchanged for stock or other securities of any other Person or cash or any other property; or

(iii) the Company, directly or indirectly, sells or otherwise transfers (or one or more of its Subsidiaries sells or otherwise transfers), in one or more transactions, assets or earning power (including, without limitation, securities creating any obligation on the part of the Company and/or any of its Subsidiaries) representing in the aggregate more than 50% of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any Person or Persons other than the Company or one or more of its wholly owned Subsidiaries; then, and in each such case, proper provision will be made so that from and after the latest of the Distribution Date, the Share Acquisition Date, and the date of the occurrence of such Flip-over Event: (A) each holder of a Right thereafter has the right to receive, upon the exercise thereof in accordance with the terms of this Agreement at an exercise price per Right equal to the product of the then-current Purchase Price multiplied by the number of one one-thousandths of a Preferred Share for which a Right was exercisable immediately prior to the Share Acquisition Date, such number of duly authorized, validly issued, fully paid, non-assessable and freely tradeable Common Shares of the Issuer, free and clear of any liens, encumbrances and other adverse claims and not subject to any rights of call or first refusal, as equals the result obtained by (x) multiplying the then-current Purchase Price by the number of one one-thousandths of a Preferred Share for which a Right is exercisable immediately prior to the Share Acquisition Date and dividing that product by (y) 50% of the current per share market price of the Common Shares of the Issuer (as determined pursuant to Section 11(d)), on the date of the occurrence of such Flip-over Event; (B) the Issuer will thereafter be liable for, and will assume, by virtue of the occurrence of such Flip-over Event, all obligations and duties of the Company pursuant to this Agreement; (C) the term "***Company***" will thereafter be deemed to refer to the Issuer; and (D) the Issuer will take such steps (including, without limitation, the reservation of a sufficient number of its Common Shares to permit the exercise of all outstanding Rights) in connection with such consummation as may be necessary to assure that the provisions hereof are thereafter applicable, as nearly as reasonably may be possible, in relation to its Common Shares thereafter deliverable upon the exercise of the Rights.

(b) For the purposes of this Section 13, "***Issuer***" means (i) in the case of any Flip-over Event described in Sections 13(a)(i) or (ii) above, the Person that is the continuing, surviving, resulting or acquiring Person (including the Company as the continuing or surviving corporation of a transaction described in Section 13(a)(ii) above), and (ii) in the case of any Flip-over Event described in Section 13(a)(iii) above, the Person that is the party receiving the greatest portion of the assets or earning power (including, without limitation, securities creating any obligation on the part of the Company and/or any of its Subsidiaries) transferred pursuant to such transaction or transactions; provided, however, that in any such case: (A) if (1) no class of equity security of such Person is, at the time of such merger, consolidation or transaction and has been continuously over the preceding 12-month period, registered pursuant to Section 12 of the Exchange Act, and (2) such Person is a Subsidiary, directly or indirectly, of another Person, a class of equity security of which is and has been so registered, the term "Issuer" means such other Person; and (B) in case such Person is a Subsidiary, directly or indirectly, of more than one Person, a class of equity security of two or more of which are and have been so registered, the term "Issuer" means whichever of such Persons is the issuer of the equity security having the greatest aggregate market value. Notwithstanding the foregoing, if the Issuer in any of the Flip-over Events listed above is not a corporation or other legal entity having outstanding equity securities, then, and in each such case, (x) if the Issuer is directly or indirectly wholly owned by a

corporation or other legal entity having outstanding equity securities, then all references to Common Shares of the Issuer will be deemed to be references to the Common Shares of the corporation or other legal entity having outstanding equity securities which ultimately controls the Issuer, and (y) if there is no such corporation or other legal entity having outstanding equity securities, (I) proper provision will be made so that the Issuer creates or otherwise makes available for purposes of the exercise of the Rights in accordance with the terms of this Agreement, a kind or kinds of security or securities having a fair market value at least equal to the economic value of the Common Shares which each holder of a Right would have been entitled to receive if the Issuer had been a corporation or other legal entity having outstanding equity securities; and (II) all other provisions of this Agreement will apply to the issuer of such securities as if such securities were Common Shares.

(c) The Company will not consummate any Flip-over Event if (i) at the time of or immediately after such Flip-over Event, there are or would be any rights, warrants, instruments or securities outstanding or any agreements or arrangements in effect which would eliminate or substantially diminish the benefits intended to be afforded by the Rights, (ii) prior to, simultaneously with or immediately after such Flip-over Event, the stockholders of the Person who constitutes, or would constitute, the Issuer for purposes of Section 13(a) shall have received a distribution of Rights previously owned by such Person or any of its Affiliates or Associates, or (iii) the form or nature of the organization of the Issuer would preclude or limit the exercisability of the Rights. In addition, the Company will not consummate any Flip-over Event unless the Issuer has a sufficient number of authorized Common Shares (or other securities as contemplated in Section 13(b) above) which have not been issued or reserved for issuance to permit the exercise in full of the Rights in accordance with this Section 13, and unless prior to such consummation the Company and the Issuer have executed and delivered to the Rights Agent a supplemental agreement providing for the terms set forth in subsections (a) and (b) of this Section 13 and further providing that as promptly as practicable after the consummation of any Flip-over Event, the Issuer will:

(A) if the Issuer, based on the advice of its counsel, determines that a registration statement should be filed under the Securities Act, prepare and file a registration statement under the Securities Act with respect to the Rights and the securities issuable upon the exercise of the Rights on an appropriate form, and use its best efforts to cause such registration statement to (1) become effective as soon as practicable after such filing and (2) remain effective (with a prospectus at all times meeting the requirements of the Securities Act) until the Expiration Date;

(B) take all such action as may be appropriate under, or to ensure compliance with, the applicable state securities or "blue sky" laws in connection with the exercisability of the Rights; and

(C) deliver to holders of the Rights historical financial statements for the Issuer and each of its affiliates which comply in all respects with the requirements for registration on Form 10 under the Exchange Act.

(d) The provisions of this Section 13 will similarly apply to successive mergers or consolidations or sales or other transfers. In the event that a Flip-over Event occurs at any time after the occurrence of a Flip-in Event, except for Rights that have become null and void pursuant to Section 11(a)(ii), Rights that shall not have been previously exercised will cease to be exercisable in the manner provided in Section 11(a)(ii) and will thereafter be exercisable in the manner provided in Section 13(a).

14. Fractional Rights and Fractional Securities. (a) The Company will not be required to issue fractions of Rights or to distribute Right Certificates which evidence fractional Rights. In lieu of such fractional Rights, the Company will pay as promptly as practicable to the registered holders of the Right Certificates with regard to which such fractional Rights otherwise would be issuable, an amount in cash equal to the same fraction of the current market value of one Right. For the purposes of this Section 14(a), the current market value of one Right is the closing price of the Rights for the Trading Day immediately prior to the date on which such fractional Rights otherwise would have been issuable. The closing price for any day is the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal quotation system with respect to securities listed or admitted to trading on The NASDAQ Stock Market LLC or, if the Rights are not listed or admitted to trading on The NASDAQ Stock Market LLC, as reported in the principal quotation system with respect to securities listed on the principal national securities exchange on which the Rights are listed or admitted to trading or, if the Rights are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by such market then in use, or, if on any such date the Rights are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights selected by the Board. If the Rights are not publicly held or are not so listed or traded, or are not the subject of available bid and asked quotes, the current market value of one Right will mean the fair value thereof as determined in good faith by the Board, which determination will be described in a written statement filed with the Rights Agent.

(b) The Company will not be required to issue fractions of Preferred Shares (other than fractions which are integral multiples of one one-thousandth of a Preferred Share) upon the exercise of the Rights or to distribute certificates which evidence fractional Preferred Shares or to register fractional Preferred Shares on the stock transfer books of the Company (other than fractions which are integral multiples of one one-thousandth of a Preferred Share). Fractions of Preferred Shares in integral multiples of one one-thousandth of a Preferred Share may, at the election of the Company, be evidenced by depositary receipts pursuant to an appropriate agreement between the Company and a depositary selected by it, provided that such agreement provides that the holders of such depositary receipts have all of the rights, privileges and preferences to which they are entitled as Beneficial Owners of the Preferred Shares represented by such depositary receipts. In lieu of fractional Preferred Shares that are not integral multiples of one one-thousandth of a Preferred Share, the Company may pay to any Person to whom or which such fractional Preferred Shares would otherwise be issuable an amount in cash equal to the same fraction of the current market value of one Preferred Share. For the purposes of

this Section 14(b), the current market value of one Preferred Share is the closing price of the Preferred Shares (as determined in the same manner as set forth for Common Shares in the second sentence of Section 11(d)(i)) for the Trading Day immediately prior to the date of such exercise; provided, however, that if the closing price of the Preferred Shares cannot be so determined, the closing price of the Preferred Shares for such Trading Day will be conclusively deemed to be an amount equal to the closing price of the Common Shares (as determined pursuant to the second sentence of Section 11(d)(i)) for such Trading Day multiplied by 1,000 (as such number may be appropriately adjusted to reflect events such as stock splits, stock dividends, recapitalizations or similar transactions relating to the Common Shares occurring after the date of this Agreement); provided further, however, that if neither the Common Shares nor the Preferred Shares are publicly held or listed or admitted to trading on any national securities exchange, or the subject of available bid and asked quotes, the current market value of one Preferred Share will mean the fair value thereof as determined in good faith by the Board, which determination will be described in a written statement filed with the Rights Agent.

(c) Following the occurrence of a Triggering Event, the Company will not be required to issue fractions of Common Shares or other securities issuable upon the exercise or exchange of the Rights or to distribute certificates which evidence any such fractional securities or to register any such fractional securities on the stock transfer books of the Company. In lieu of issuing any such fractional securities, the Company may pay to any Person to whom or which such fractional securities would otherwise be issuable an amount in cash equal to the same fraction of the current market value of one such security. For the purposes of this Section 14(c), the current market value of one Common Share or other security issuable upon the exercise or exchange of the Rights is the closing price thereof (as determined in the same manner as set forth for Common Shares in the second sentence of Section 11(d)(i)) for the Trading Day immediately prior to the date of such exercise or exchange; provided, however, that if neither the Common Shares nor any such other securities are publicly held or listed or admitted to trading on any national securities exchange, or the subject of available bid and asked quotes, the current market value of one Common Share or such other security will mean the fair value thereof as determined in good faith by the Board, which determination will mean the fair value thereof as will be described in a written statement filed with the Rights Agent.

(d) Whenever a payment of cash in lieu of fractional Rights, fractional Preferred Shares or fractional Common Shares is to be made by the Rights Agent under this Agreement, the Company shall (i) promptly prepare and deliver to the Rights Agent a certificate setting forth in reasonable detail the facts related to such payments and the prices and/or formulas utilized in calculating such payments, and (ii) provide sufficient monies to the Rights Agent in the form of fully collected funds to make such payments. The Rights Agent shall be fully protected in relying upon such a certificate and shall have no duty with respect to, and shall not be deemed to have knowledge of, any payment of cash in lieu of fractional Rights, fractional Preferred Shares or fractional Common Shares under this Agreement unless and until the Rights Agent shall have received such a certificate and sufficient monies.

15. Rights of Action. All rights of action in respect of this Agreement, excepting the rights of action given to the Rights Agent hereunder, including Section 18 or Section 20 hereof,

are vested in the respective registered holders of the Right Certificates (and, prior to the Distribution Date, the registered holders of the Common Shares); and any registered holder of any Right Certificate (or, prior to the Distribution Date, of the Common Shares), without the consent of the Rights Agent or of the holder of any other Right Certificate (or, prior to the Distribution Date, of the holder of any Common Shares), may in his/her own behalf and for his/her own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, his/her right to exercise the Rights evidenced by such Right Certificate in the manner provided in such Right Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of the Rights, it is specifically acknowledged that the holders of the Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to seek specific performance of the obligations under this Agreement, and injunctive relief against actual or threatened violations of the obligations of any Person subject to this Agreement.

16. Agreement of Rights Holders. Every holder of a Right by accepting the same consents and agrees with the Company and the Rights Agent and with every other holder of a Right that:

(a) Prior to the Distribution Date, the Rights are transferable only in connection with the transfer of the Common Shares;

(b) After the Distribution Date, the Right Certificates are transferable only on the registry books of the Rights Agent if surrendered at the office or offices of the Rights Agent designated for such purpose, duly endorsed or accompanied by a proper instrument of transfer, and with the appropriate forms and certificates fully completed and executed;

(c) The Company and the Rights Agent may deem and treat the person in whose name the Right Certificate (or, prior to the Distribution Date, the associated Common Shares) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Right Certificate or the associated Common Shares, if any, made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent will be affected by any notice to the contrary;

(d) Such holder expressly waives any right to receive any fractional Rights and any fractional securities upon the exercise or exchange of a Right, except as otherwise provided in Section 14.

(e) Notwithstanding anything in this Agreement to the contrary, neither the Company nor the Rights Agent will have any liability to any holder of a Right or other Person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or an administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligation;

provided, however, that the Company will use its best efforts to have any such order, decree or ruling lifted or otherwise overturned as soon as possible.

17. Right Certificate Holder Not Deemed a Stockholder. No holder, as such, of any Right Certificate will be entitled to vote, receive dividends, or be deemed for any purpose the holder of Preferred Shares or any other securities of the Company, which may at any time be issuable upon the exercise of the Rights represented thereby, nor will anything contained herein or in any Right Certificate be construed to confer upon the holder of any Right Certificate, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in Section 25), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by such Right Certificate shall have been exercised in accordance with the provisions of this Agreement or exchanged pursuant to the provisions of Section 24.

18. Concerning the Rights Agent. (a) The Company will pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the preparation, negotiation, delivery, amendment, administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Company will also indemnify the Rights Agent and its affiliates, directors, employees. representatives and advisors for, and hold them harmless against, any loss, liability, suit, action, proceeding, damage, judgment, fine, penalty, claim, demand, settlement, cost or expense (including, without limitation, the reasonable fees and expenses of legal counsel), incurred without gross negligence, bad faith or willful misconduct on the part of the Rights Agent (which gross negligence, bad faith or willful misconduct must be determined by a final, non-appealable order, judgment, decree or ruling of a court of competent jurisdiction), for action taken, suffered or omitted to be taken by the Rights Agent in connection with the acceptance and administration of this Agreement, including the costs and expenses of defending against any claim of liability arising therefrom, directly or indirectly. The provisions provided for under this Section 18 and Section 20 below shall survive the exercise or expiration of the Rights, the termination or expiration of this Agreement and the resignation, replacement or removal of the Rights Agent. The costs and expenses incurred in enforcing this right of indemnification shall be paid by the Company.

(b) The Rights Agent will be protected and will incur no liability for or in respect of any action taken, suffered, or omitted to be taken by it in connection with its administration of this Agreement in reliance upon any Right Certificate or certificate or other notice evidencing Preferred Shares or Common Shares or other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement or other paper or document believed by it to be genuine and to be signed, executed, and, where necessary, verified or acknowledged, by the proper Person or Persons. The Rights Agent shall not be deemed to have knowledge of any event of which it was supposed to receive notice thereof hereunder, and the Rights Agent shall be fully

protected and shall incur no liability for failing to take any action in connection therewith, unless and until it has received such notice in writing.

19. Merger or Consolidation or Change of Name of Rights Agent. (a) Any Person into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any Person resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent is a party, or any Person succeeding to the stockholder services business of the Rights Agent or any successor Rights Agent, will be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such Person would be eligible for appointment as a successor Rights Agent under the provisions of Section 21. If at the time such successor Rights Agent succeeds to the agency created by this Agreement any of the Right Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Right Certificates so countersigned; and if at that time any of the Right Certificates shall not have been countersigned, any successor Rights Agent may countersign such Right Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Right Certificates will have the full force provided in the Right Certificates and in this Agreement.

(b) If at any time the name of the Rights Agent changes and at such time any of the Right Certificates have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver the Right Certificates so countersigned; and if at that time any of the Right Certificates have not been countersigned, the Rights Agent may countersign such Right Certificates either in its prior name or in its changed name; and in all such cases such Right Certificates will have the full force provided in the Right Certificates and in this Agreement.

20. Duties of Rights Agent. The Rights Agent undertakes the duties and obligations expressly imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Right Certificates, by their acceptance thereof, will be bound:

(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Rights Agent or the Company or an employee of the Rights Agent), and the advice or opinion of such counsel will be full and complete authorization and protection to the Rights Agent and the Rights Agent shall incur no liability for or in respect of any action taken or omitted to be taken by it in accordance with such advice or opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent deems it necessary or desirable that any fact or matter be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by any one of the Chairman of the Board, the President, any Vice President, the Secretary or the Treasurer of the Company and delivered to the Rights Agent, and such certificate will be full authorization to the Rights Agent for any action

taken, suffered or omitted to be taken by it under the provisions of this Agreement in reliance upon such certificate.

(c) The Rights Agent shall be liable hereunder only for its own gross negligence, bad faith or willful misconduct (which gross negligence, bad faith or willful misconduct must be determined by a final, non-appealable order, judgment, decree or ruling of a court of competent jurisdiction). Any liability of the Rights Agent under this Agreement will be limited to the amount of annual fees paid by the Company to the Rights Agent. Anything to the contrary notwithstanding, in no event will the Rights Agent be liable for special, punitive, indirect, incidental or consequential loss or damages of any kind whatsoever (including, without limitation, lost profits), even if the Rights Agent has been advised of the likelihood of such loss or damages. and regardless of the form of the action; and the Company agrees to indemnify the Rights Agent and its affiliates, directors, employees, representatives and advisors and to hold them harmless to the fullest extent permitted by law against any loss, liability or expense incurred as a result of claims for special, punitive, incidental, indirect or consequential losses or damages of any kind whatsoever.

(d) The Rights Agent will not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Right Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and will be deemed to have been made by the Company only.

(e) The Rights Agent will not be under any responsibility or have any liability in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution and delivery hereof by the Rights Agent) or in respect of the validity or execution of any Right Certificate (except its countersignature thereof); nor will it be liable or responsible for any breach by the Company of any covenant contained in this Agreement or in any Right Certificate; nor will it be liable or responsible for any adjustment required under the provisions of Sections 11 or 13 (including any adjustment which results in the Rights becoming null and void) or liable or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of the Rights evidenced by the Right Certificates after actual notice of any such adjustment); nor will it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any shares of stock or other securities to be issued pursuant to this Agreement or any Right Certificate or as to whether any shares of stock or other securities will, when issued, be duly authorized, validly issued, fully paid and non-assessable.

(f) The Company will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any one of the Chairman of the Board, the President, any Vice President, the Secretary or the Treasurer of the Company, and to apply to such officers for advice or instructions in connection with its duties, and the Rights

Agent will not be liable for any action taken, suffered or omitted to be taken by it in accordance with instructions of any such officer(s). The Rights Agent will be fully authorized and protected in relying upon instructions received by any such officer(s). The Rights Agent will not be held to have notice of any change of authority of any person until its receipt of written notice thereof from the Company.

(h) The Rights Agent and any stockholder, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not the Rights Agent under this Agreement. Nothing herein will preclude the Rights Agent (or its shareholders, affiliates, directors, officers or employees) from acting in any other capacity for the Company or for any other Person.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent will not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect or misconduct in the absence of gross negligence, bad faith or willful misconduct in the selection and continued employment thereof (which gross negligence, bad faith or willful misconduct must be determined by a final, non-appealable order, judgment, decree or ruling of a court of competent jurisdiction). The Rights Agent will not be under any duty or responsibility to ensure compliance with any applicable federal or state securities laws in connection with the issuance, transfer or exchange of the Right Certificates.

(j) If, with respect to any Right Certificate surrendered to the Rights Agent for exercise, transfer, split up, combination or exchange, either (i) the certificate attached to the form of assignment or form of election to purchase, as the case may be, has either not been completed or indicates an affirmative response to clause 1 or 2 thereof, or (ii) any other actual or suspected irregularity exists, the Rights Agent will not take any further action with respect to such requested exercise, transfer, split up, combination or exchange without first consulting with the Company, and will thereafter take further action with respect thereto only in accordance with the Company's written instructions.

(k) No provision of this Agreement shall require the Rights Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of its rights if it believes that repayment of such funds or adequate indemnification against such risk or liability is not reasonably assured to it.

(l) In the event that the Rights Agent reasonably believes any ambiguity or uncertainty exists hereunder or in any notice, instruction, direction, request or other communication, paper or document received by the Rights Agent hereunder, the Rights Agent shall, as soon as practicable, inform the Company or such Person seeking clarification and may, in its sole discretion, refrain from taking any action, and will be fully protected and will not be liable in any way to the Company or other Person or entity for refraining from taking such

action, unless the Rights Agent receives written instructions signed by the Company which eliminates such ambiguity or uncertainty to the reasonable satisfaction of the Rights Agent.

21. Change of Rights Agent. The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon 60 calendar days' notice in writing mailed to the Company in accordance with Section 26 hereof and, in the event that the Rights Agent or one of its Affiliates is not also the transfer agent for the Company, to each transfer agent of the Preferred Shares or the Common Shares, by first-class mail, postage prepaid, or nationally recognized overnight delivery. In the event that the transfer agency relationship in effect between the Company and the Rights Agent terminates, the Rights Agent will be deemed to have resigned automatically and be discharged from its duties under this Agreement as of the effective date of such termination, and the Company shall be responsible for sending any required notice. The Company may remove the Rights Agent or any successor Rights Agent upon 30 calendar days' notice in writing, mailed to the Rights Agent or such successor Rights Agent, as the case may be, and to each transfer agent of the Preferred Shares and the Common Shares by registered or certified mail, and to the holders of the Right Certificates by first-class mail. If the Rights Agent resigns or is removed or otherwise becomes incapable of acting, the Company will appoint a successor to the Rights Agent. If the Company fails to make such appointment within a period of 90 calendar days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Right Certificate (who will, with such notice, submit his/her Right Certificate for inspection by the Company), then the registered holder of any Right Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, will be a corporation or other legal entity organized and doing business under the laws of the United States, in good standing, which is authorized under such laws to exercise stockholder services powers and is subject to supervision or examination by federal or state authority and which has, along with its Affiliates, at the time of its appointment as Rights Agent a combined capital and surplus of at least $50 million. After its appointment, the successor Rights Agent will be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent will deliver to the successor Rights Agent any property at the time held by it hereunder, and will execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Company will file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Preferred Shares and/or the Common Shares, and mail a notice thereof in writing to the registered holders of the Right Certificates. Failure to give any notice provided for in this Section 21, however, or any defect therein, will not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

22. Issuance of New Right Certificates. Notwithstanding any of the provisions of this Agreement or of the Right Certificates to the contrary, the Company may, at its option, issue new Right Certificates evidencing Rights in such form as may be approved by the Board to reflect any adjustment or change in the Purchase Price per share and the number and/or kind of securities issuable upon the exercise of the Rights made in accordance with the provisions of this

Agreement. In addition, in connection with the issuance or sale by the Company of Common Shares following the Distribution Date and prior to the Expiration Date, the Company (a) will, with respect to Common Shares so issued or sold pursuant to the exercise, exchange or conversion of securities (other than the Rights) issued prior to the Distribution Date which are exercisable or exchangeable for, or convertible into, Common Shares, and (b) may, in any other case, if deemed necessary, appropriate or desirable by the Board, issue Right Certificates representing an equivalent number of Rights as would have been issued in respect of such Common Shares if they had been issued or sold prior to the Distribution Date, as appropriately adjusted as provided herein as if they had been so issued or sold; provided, however, that (i) no such Right Certificate will be issued if, and to the extent that, in its good faith judgment the Board determines that the issuance of such Right Certificate could have a material adverse tax consequence to the Company or to the Person to whom or which such Right Certificate otherwise would be issued and (ii) no such Right Certificate will be issued if, and to the extent that, appropriate adjustment otherwise has been made in lieu of the issuance thereof.

23. Redemption. (a) The Board may, at its option, at any time prior to such time as any Person becomes an Acquiring Person, redeem all but not less than all of the then-outstanding Rights at the Redemption Price. Any such redemption will be effective immediately upon the action of the Board ordering the same, unless such action of the Board expressly provides that such redemption will be effective at a subsequent time or upon the occurrence or nonoccurrence of one or more specified events (in which case such redemption will be effective in accordance with the provisions of such action of the Board).

(b) Immediately upon the effectiveness of the redemption of the Rights as provided in Section 23(a), and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights will be to receive the Redemption Price, without interest thereon. Promptly after the effectiveness of the redemption of the Rights as provided in Section 23(a), the Company will publicly announce such redemption (with prompt written notice to the Rights Agent) and, within 10 calendar days thereafter, will give notice of such redemption to the holders of the then-outstanding Rights by mailing such notice to all such holders at their last addresses as they appear upon the registry books of the Company; provided, however, that the failure to give, or any defect in, any such notice will not affect the validity of the redemption of the Rights. Any notice that is mailed in the manner herein provided will be deemed given, whether or not the holder receives such notice. The notice of redemption mailed to the holders of Rights will state the method by which the payment of the Redemption Price will be made. The Company may, at its option, pay the Redemption Price in cash, Common Shares (based upon the current per share market price of the Common Shares (as determined pursuant to Section 11(d)) at the time of such redemption), or any other form of consideration deemed appropriate by the Board (based upon the fair market value of such other consideration, as determined by the Board in good faith) or any combination thereof. The Company may, at its option, combine the payment of the Redemption Price with any other payment being made concurrently to the holders of Common Shares and, to the extent that any such other payment is discretionary, may reduce the amount thereof on account of the concurrent payment of the Redemption Price. If legal or contractual restrictions prevent the Company from paying the Redemption Price (in the form of consideration deemed appropriate

by the Board) at the time of such redemption, the Company will pay the Redemption Price, without interest, promptly after such time as the Company ceases to be so prevented from paying the Redemption Price.

24. Exchange. (a) The Board may, at its option, at any time after any Person becomes an Acquiring Person, exchange all or part of the then-outstanding and exercisable Rights (which will not include Rights that have become null and void pursuant to the provisions of Section 11(a)(ii)) for Common Shares at an exchange ratio of two Common Shares per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the Record Date (such exchange ratio being hereinafter referred to as the "***Exchange Ratio***"). Any such exchange will be effective immediately upon the action of the Board ordering the same, unless such action of the Board expressly provides that such exchange will be effective at a subsequent time or upon the occurrence or nonoccurrence of one or more specified events (in which case such exchange will be effective in accordance with the provisions of such action of the Board). Prior to effecting an exchange pursuant to this Section 24, the Board may direct the Company to enter into a Trust Agreement in such form and with such terms as the Board shall then approve (the "***Trust Agreement***"). If the Board so directs, the Company shall enter into the Trust Agreement and shall issue to the trust created by such agreement (the "***Trust***") all of the Common Shares issuable pursuant to the exchange, and all Persons entitled to receive Common Shares pursuant to the exchange shall be entitled to receive such Common Shares (and any dividends or distributions made thereon after the date on which such shares are deposited in the Trust) only from the Trust and solely upon compliance with the relevant terms and provisions of the Trust Agreement. Notwithstanding the foregoing, the Board will not be empowered to effect such exchange at any time after any Acquiring Person, who or which, together with all Affiliates and Associates of such Person, becomes the Beneficial Owner of 50% or more of the then-outstanding Common Shares.

(b) Immediately upon the effectiveness of the exchange of any Rights as provided in Section 24(a), and without any further action and without any notice, the right to exercise such Rights will terminate and the only right with respect to such Rights thereafter of the holder of such Rights will be to receive that number of Common Shares equal to the number of such Rights held by such holder multiplied by the Exchange Ratio. Promptly after the effectiveness of the exchange of any Rights as provided in Section 24(a), the Company will publicly announce such exchange (with prompt written notice thereof also provided to the Rights Agent) and, within 10 calendar days thereafter, will give notice of such exchange to all of the holders of such Rights at their last addresses as they appear upon the registry books of the Rights Agent; provided, however, that the failure to give, or any defect in, such notice will not affect the validity of such exchange. Any notice that is mailed in the manner herein provided will be deemed given, whether or not the holder receives such notice. Each such notice of exchange will state the method by which the exchange of the Common Shares for the Rights will be effected and, in the event of any partial exchange, the number of Rights which will be exchanged. Any partial exchange will be effected pro rata based on the number of Rights (other than Rights which have become null and void pursuant to the provisions of Section 11(a)(ii)) held by each holder of Rights.

(c) In any exchange pursuant to this Section 24, the Company, at its option, may substitute for any Common Share exchangeable for a Right (i) equivalent common shares (as such term is used in Section 11(a)(iii)), (ii) cash, (iii) debt securities of the Company, (iv) other assets, or (v) any combination of the foregoing, in any event having an aggregate value, as determined in good faith by the Board (which determination will be described in a written statement filed with the Rights Agent), equal to the current market value of one Common Share (as determined pursuant to Section 11(d)) on the Trading Day immediately preceding the date of the effectiveness of the exchange pursuant to this Section 24.

25. Notice of Certain Events. (a) If after the Distribution Date the Company proposes (i) to pay any dividend payable in stock of any class to the holders of Preferred Shares or to make any other distribution to the holders of Preferred Shares (other than a regular periodic cash dividend), (ii) to offer to the holders of Preferred Shares rights, options or warrants to subscribe for or to purchase any additional Preferred Shares or shares of stock of any class or any other securities, rights or options, (iii) to effect any reclassification of its Preferred Shares (other than a reclassification involving only the subdivision of outstanding Preferred Shares), (iv) to effect any consolidation or merger into or with, or to effect any sale or other transfer (or to permit one or more of its Subsidiaries to effect any sale or other transfer), in one or more transactions, of assets or earning power (including, without limitation, securities creating any obligation on the part of the Company and/or any of its Subsidiaries) representing more than 50% of the assets and earning power of the Company and its Subsidiaries, taken as a whole, to any other Person or Persons other than the Company or one or more of its wholly owned Subsidiaries, (v) to effect the liquidation, dissolution or winding up of the Company, or (vi) to declare or pay any dividend on the Common Shares payable in Common Shares or to effect a subdivision, combination or reclassification of the Common Shares, then, in each such case, the Company will give to the Rights Agent and each holder of a Right Certificate, to the extent feasible and in accordance with Section 26 hereof, a notice of such proposed action, which specifies the record date for the purposes of such stock dividend, distribution or offering of rights, options or warrants, or the date on which such reclassification, consolidation, merger, sale, transfer, liquidation, dissolution or winding up is to take place and the date of participation therein by the holders of the Common Shares and/or Preferred Shares, if any such date is to be fixed, and such notice will be so given, in the case of any action covered by clause (i) or (ii) above, at least 10 calendar days prior to the record date for determining the holders of the Preferred Shares for the purposes of such action, and, in the case of any such other action, at least 10 calendar days prior to the date of the taking of such proposed action or the date of participation therein by the holders of the Common Shares and/or Preferred Shares, whichever is the earlier.

(b) In case any Triggering Event occurs, then, in any such case, the Company will as soon as practicable thereafter give to the Rights Agent and each holder of a Right Certificate, in accordance with Section 26 hereof, a notice in writing of the occurrence of such event, which specifies the event and the consequences of the event to the holders of Rights.

(c) Notwithstanding anything in this Agreement to the contrary, prior to the Distribution Date, a press release issued with national distribution or a filing by the Company

with the SEC shall constitute sufficient notice to the holders of any Rights or of any Common Shares for the purposes of this Agreement.

26. Notices. (a) Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Right Certificate to or on the Company will be sufficiently given or made if sent in writing by first-class mail, postage prepaid, or overnight delivery service, addressed (until another address is filed in writing with the Rights Agent) as follows:

Star Equity Holdings, Inc.
53 Forest Ave.
Suite 101
Old Greenwich, Connecticut 06870
Attention: Corporate Secretary

(b) Subject to the provisions of Section 21 hereof, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Right Certificate to or on the Rights Agent will be sufficiently given or made if sent in writing by first-class mail, postage prepaid, or overnight delivery service, addressed (until another address is filed in writing with the Company) as follows:

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, New York 11219
Attention: Stock Transfer Administration

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

American Stock Transfer & Trust Company, LLC
48 Wall Street, 22nd Floor
New York, New York 10005
Attention: Legal Department

(c) Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Right Certificate (or, if prior to the Distribution Date, to the holder of any Common Shares) will be sufficiently given or made if sent in writing by first-class mail, postage prepaid, or overnight delivery service, addressed to such holder at the address of such holder as shown on the registry books of the Company.

27. Supplements and Amendments. Prior to the time at which any Person becomes an Acquiring Person, and subject to the penultimate sentence of this Section 27, the Company may, in its sole and absolute discretion, and the Rights Agent will if the Company so directs, supplement or amend any provision of this Agreement in any respect without the approval of any holders of the Rights or Common Shares. At any time, and subject to the penultimate sentence of this Section 27, the Company may, and the Rights Agent will if the Company so directs, supplement or amend this Agreement without the approval of any holders of the Rights or

Common Shares in order (i) to cure any ambiguity, (ii) to correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein, (iii) to shorten or lengthen any time period hereunder, or (iv) to supplement or amend the provisions hereunder in any manner which the Company may deem desirable; provided, however, that, from and after the time any Person becomes an Acquiring Person, no such supplement or amendment shall adversely affect the interests of the holders of Rights as such (other than an Acquiring Person or an Affiliate or Associate of an Acquiring Person), and no such supplement or amendment shall cause the Rights again to become redeemable or cause this Agreement again to become supplementable or amendable other than in accordance with the terms of this Section 27. Without limiting the generality or effect of the foregoing, this Agreement may be supplemented or amended to provide for such voting powers for the Rights and such procedures for the exercise thereof, if any, as the Board may determine to be appropriate. Notwithstanding anything in this Agreement to the contrary, any supplement or amendment to this Agreement shall be evidenced by a writing signed by the Company and the Rights Agent. Upon the delivery of a certificate from an appropriate officer of the Company which states that the proposed supplement or amendment is in compliance with the terms of this Section 27, the Rights Agent will execute such supplement or amendment; provided, however, that such supplement or amendment does not adversely affect the rights, duties, obligations or immunities of the Rights Agent under this Agreement. Notwithstanding anything in this Agreement to the contrary, no supplement or amendment may be made which decreases the stated Redemption Price to an amount less than $0.0001 per Right. Notwithstanding anything in this Agreement to the contrary, the limitations on the ability of the Board to amend this Agreement set forth in this Section 27 shall not affect the power or ability of the Board to take any other action that is consistent with its fiduciary duties under applicable Delaware law, including, without limitation, accelerating or extending the Expiration Date or making any other amendment to this Agreement that is permitted by this Section 27 or adopting a new stockholder rights agreement with such terms as the Board determines in its sole discretion to be appropriate.

28. Successors; Certain Covenants. All of the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent will be binding on and inure to the benefit of their respective successors and assigns hereunder.

29. Benefits of This Agreement. Nothing in this Agreement will be construed to give to any Person other than the Company, the Rights Agent, and the registered holders of the Right Certificates (and, prior to the Distribution Date, the Common Shares) any legal or equitable right, remedy or claim under this Agreement. This Agreement will be for the sole and exclusive benefit of the Company, the Rights Agent, and the registered holders of the Right Certificates (or, prior to the Distribution Date, the Common Shares). The Company and, by accepting the Rights hereunder, each holder of the Rights: (a) irrevocably submit to the exclusive jurisdiction of the Court of Chancery of the State of Delaware, or, if such court shall lack subject matter jurisdiction, the United States District Court for the District of Delaware, over any suit, action or proceeding arising out of or relating to this Agreement; (b) acknowledge that the forum designated by this Section 29 has a reasonable relation to this Agreement and to such Persons' relationship with one another; (c) waive, to the fullest extent permitted by applicable law, any objection which they now or hereafter have to personal jurisdiction or to the laying of venue of

any such suit, action or proceeding brought in any court referred to in this Section 29; (d) undertake not to commence any action subject to this Agreement in any forum other than the forum described in this Section 29; and (e) agree that, to the fullest extent permitted by applicable law, a final and non-appealable judgment in any such suit, action or proceeding brought in any such court shall be conclusive and binding upon such Persons.

30. Governing Law. This Agreement, each Right and each Right Certificate issued hereunder will be deemed to be a contract made under the internal substantive laws of the State of Delaware and for all purposes will be governed by and construed in accordance with the internal substantive laws of such State applicable to contracts to be made and performed entirely within such State.

31. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, null and void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement will remain in full force and effect and will in no way be affected, impaired or invalidated; provided, however, that nothing contained in this Section 31 will affect the ability of the Company under the provisions of Section 27 to supplement or amend this Agreement to replace such invalid, null and void or unenforceable term, provision, covenant or restriction with a legal, valid and enforceable term, provision, covenant or restriction; provided further, however, that if any such excluded or severed term, provision, covenant or restriction adversely affects the rights, immunities, duties or obligations of the Rights Agent, then the Rights Agent will be entitled to resign immediately upon written notice to the Company.

32. Descriptive Headings, Etc. Descriptive headings of the several Sections of this Agreement are inserted for convenience only and will not control or affect the meaning or construction of any of the provisions hereof. Unless otherwise expressly provided, references herein to Articles, Sections and Exhibits are to Articles, Sections and Exhibits of or to this Agreement.

33. Determinations and Actions by the Board. (a) For all the purposes of this Agreement, any calculation of the number of Common Shares outstanding at any particular time, including for the purpose of determining the particular percentage of such outstanding Common Shares of which any Person is the Beneficial Owner, will be made in accordance with the provisions of Section 382 of the Code, or any successor or replacement provision, and the Treasury Regulations promulgated thereunder. The Board will have the exclusive power and authority to administer this Agreement and to exercise or refrain from exercising all rights and powers specifically granted to the Board or to the Company, or as may be necessary or advisable in the administration of this Agreement, including, without limitation, the right and power (i) to interpret the provisions of this Agreement (including, without limitation, Section 27, this Section 33 and other provisions hereof relating to its powers or authority hereunder) and (ii) to make all determinations deemed necessary or advisable for the administration of this Agreement (including, without limitation, any determination contemplated by Section 1(a) or any determination as to whether particular Rights shall have become null and void). All such actions, calculations, interpretations and determinations (including, for the purpose of clause (y) below,

any omission with respect to any of the foregoing) which are done or made by the Board in good faith will (x) be final, conclusive and binding on the Company, the Rights Agent, the holders of the Rights and all other parties and (y) not subject the Board to any liability to any Person, including, without limitation, the Rights Agent and the holders of the Rights. The Rights Agent is entitled always to assume the Board acted in good faith and shall be fully protected and incur no liability in reliance thereon.

(b) If at any time the Board determines that a Person has become an Acquiring Person, the Company will give written notice of such determination, indicating the identity of such Person, to the Rights Agent promptly thereafter. Until such a notice is received by the Rights Agent, the Rights Agent may presume conclusively for all purposes that no Person has become an Acquiring Person.

34. Process to Seek Exemption. (a) Any Person who desires to effect any transaction that might, if consummated, result in such Person becoming the Beneficial Owner of 4.99% or more of the then-outstanding Common Shares (or, in the case of any Person who would otherwise constitute an Acquiring Person as of the Effective Time but will not be deemed to be an Acquiring Person for any purpose of this Agreement unless and until such time as provided in Section 1(a), any additional Common Shares) (a "***Requesting Person***") may, prior to the date of the transaction for which the Requesting Person is seeking a determination, request in writing that the Board make a determination under this Agreement so that such Person would be deemed to be an "Exempt Person" for the purposes of this Agreement or such transaction would be deemed to be an "Exempt Transaction" for the purposes of this Agreement (an "***Exemption Request***"). Any Exemption Request must be delivered by overnight delivery service or first-class mail, postage prepaid, to the Secretary of the Company at the Company's principal executive office. Such Exemption Request will be deemed to have been made when actually received by the Company. Any Exemption Request must include: (i) the name, address and telephone number of the Requesting Person; (ii) the number and percentage of Common Shares then Beneficially Owned by the Requesting Person, together with all Affiliates and Associates of the Requesting Person; (iii) a reasonably detailed description of the transaction or transactions by which the Requesting Person would propose to acquire Beneficial Ownership of Common Shares, the maximum number and percentage of Common Shares that the Requesting Person proposes to acquire and the proposed tax treatment thereof; and (iv) a commitment by the Requesting Person that such Requesting Person will not acquire Beneficial Ownership of 4.99% or more of the then-outstanding Common Shares or, if such Requesting Person Beneficially Owns 4.99% or more of the then-outstanding Common Shares, any additional Common Shares prior to such time as the Board has responded to, or is deemed to have responded to, the Exemption Request pursuant to this Section 34. The Board will, in good faith, endeavor to respond to any Exemption Request within 30 calendar days of receiving such Exemption Request; provided that the failure of the Board to make a determination within such period will be deemed to constitute the denial by the Board of the Exemption Request. The Requesting Person must respond promptly to reasonable and appropriate requests for additional information from the Company or the Board and its advisors to assist the Board in making its determination. As a condition to making any determination requested pursuant to this Section 34(a), the Board may, in its discretion, require (at the expense of the Requesting Person) a report from advisors

selected by the Board to the effect that the proposed transaction or transactions will not result in the application of any limitations on the use by the Company of the Tax Benefits taking into account any and all other transactions that have been consummated prior to receipt of the Exemption Request, any and all other proposed transactions that have been approved by the Board prior to its receipt of the Exemption Request and any such other actual or proposed transactions involving Common Shares as the Board may require; provided that the Board may make the determination requested in the Exemption Request notwithstanding the effect of the proposed transaction or transactions on the Tax Benefits if it determines that such determination is in the best interests of the Company. The Board may impose any conditions that it deems reasonable and appropriate in connection with a determination pursuant to this Section 34(a), including, without limitation, restrictions on the ability of the Requesting Person to transfer Common Shares acquired by it in the transaction or transactions to which such determination relates. Any Exemption Request may be submitted on a confidential basis and, except to the extent required by applicable law, the Company will maintain the confidentiality of such Exemption Request and the determination of the Board with respect thereto, unless the information contained in the Exemption Request or the determination of the Board with respect thereto otherwise becomes publicly available.

(b) The Board may make a determination under this Agreement so that a Person would be deemed to be an "Exempt Person" for the purposes of this Agreement or a transaction would be deemed to be an "Exempt Transaction" for the purposes of this Agreement, whether or not an Exemption Request has been made pursuant to Section 34(a). In connection with such determination, the Board may impose any conditions that it deems reasonable and appropriate, including, without limitation, restrictions on the ability of the transferee to transfer Common Shares acquired by it in the transaction or transactions to which such determination relates. Any determination of the Board pursuant to this Section 34(b) may be made prospectively or retroactively.

35. Suspension of Exercisability or Exchangeability. To the extent that the Board determines in good faith that some action will or may need to be taken pursuant to, or in order to properly give effect to, Sections 7, 11, 13, 21, 23 or 24 or to comply with federal or state securities laws or rules and regulations of any national securities exchange on which the Common Shares are listed or admitted to trading, the Company may suspend the exercisability or exchangeability of the Rights for a reasonable period of time sufficient to allow it to take such action or to comply with such laws or rules and regulations. In the event of any such suspension, the Company will issue as promptly as practicable a public announcement stating that the exercisability or exchangeability of the Rights has been temporarily suspended. The Company shall promptly notify the Rights Agent in writing whenever it makes such a public announcement temporarily suspending the exercisability or exchangeability of the Rights, and whenever such suspension has been lifted. Upon such suspension, any rights of action vested in a holder of the Rights will be similarly suspended. Failure to give a notice pursuant to the provisions of this Agreement will not affect the validity of any action taken hereunder.

36. Effective Time. Notwithstanding anything in this Agreement to the contrary, this Agreement will not be effective until the Effective Time.

37. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts will for all purposes be deemed to be an original, and all such counterparts will together constitute but one and the same instrument. A signature to this Agreement executed and/or transmitted electronically will have the same authority, effect and enforceability as an original signature.

38. Force Majeure. Notwithstanding anything to the contrary contained herein, the Rights Agent shall not be liable for any delays or failures in performance resulting from acts beyond its reasonable control, including, without limitation, acts of God, terrorist acts, shortage of supply, breakdowns or malfunctions, interruptions or malfunction of computer facilities, or loss of data due to power failures or mechanical difficulties with information storage or retrieval systems, labor difficulties, war, or civil unrest.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date and year first above written.

STAR EQUITY HOLDINGS, INC.

By: _____
Name:
Title:

AMERICAN STOCK TRANSFER & TRUST COMPANY, LLC

By: _____
Name:
Title:

[Signature Page to Rights Agreement]

EXHIBIT A

FORM OF
CERTIFICATE OF DESIGNATION
of
SERIES C PARTICIPATING
PREFERRED STOCK
of
STAR EQUITY HOLDINGS, INC.

(Pursuant to Section 151 of the
General Corporation Law of the State of Delaware)

Star Equity Holdings, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "***Company***"), DOES HEREBY CERTIFY:

That, pursuant to authority vested in the Board of Directors of the Company by its Restated Certificate of Incorporation, as amended, and pursuant to the provisions of Section 151 of the General Corporation Law of the State of Delaware, the Board of Directors of the Company has adopted the following resolution providing for the issuance of a series of Preferred Stock:

RESOLVED, that pursuant to the authority expressly granted to and vested in the Board of Directors of the Company (the "***Board of Directors***" or the "***Board***") by the Restated Certificate of Incorporation of the Company, as amended (the "***Restated Certificate of Incorporation***"), a series of Preferred Stock, par value $0.0001 per share (the "***Preferred Stock***"), of the Company be, and it hereby is, created, and that the designation and amount thereof and the powers, designations, preferences and relative, participating, optional and other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof are as follows:

I. Designation and Amount

The shares of such series will be designated as Series C Participating Preferred Stock (the "***Series C Preferred***") and the number of shares constituting the Series C Preferred is 25,000. Such number of shares may be increased or decreased by resolution of the Board; provided, however, that no decrease will reduce the number of shares of Series C Preferred to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Company convertible into the Series C Preferred.

II. Dividends and Distributions

(a) Subject to the rights of the holders of any shares of any series of Preferred Stock ranking prior to the Series C Preferred with respect to dividends (including, but not limited to, the 10.0% Series A Cumulative Perpetual Preferred Stock of the Company), the holders of shares of the Series C Preferred, in preference to the holders of the Common Stock, par value $0.0001

per share (the "***Common Stock***"), of the Company, and of any other junior stock, will be entitled to receive, when, as and if declared by the Board out of funds legally available for the purpose, dividends payable in cash (except as otherwise provided below) on such dates as are from time to time established for the payment of dividends on the Common Stock (each such date being referred to herein as a "***Dividend Payment Date***"), commencing on the first Dividend Payment Date after the first issuance of a share or fraction of a share of the Series C Preferred (the "***First Dividend Payment Date***"), in an amount per share (rounded to the nearest cent) equal to the greater of (i) $1.00 or (ii) subject to the provision for adjustment hereinafter set forth, 1,000 times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends, other than a dividend payable in shares of the Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Dividend Payment Date or, with respect to the First Dividend Payment Date, since the first issuance of any share or fraction of a share of the Series C Preferred. In the event that the Company at any time (i) declares a dividend on the outstanding shares of Common Stock payable in shares of Common Stock, (ii) subdivides the outstanding shares of Common Stock, (iii) combines the outstanding shares of Common Stock into a smaller number of shares, or (iv) issues any shares of its capital stock in a reclassification of the outstanding shares of Common Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), then, in each such case and regardless of whether any shares of the Series C Preferred are then issued or outstanding, the amount to which the holders of shares of the Series C Preferred would otherwise be entitled immediately prior to such event under clause (ii) of the preceding sentence will be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event, and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) The Company will declare a dividend on the Series C Preferred as provided in the immediately preceding paragraph immediately after it declares a dividend on the Common Stock (other than a dividend payable in shares of Common Stock). Each such dividend on the Series C Preferred will be payable immediately prior to the time at which the related dividend on the Common Stock is payable.

(c) Dividends will accrue on outstanding shares of the Series C Preferred from the Dividend Payment Date next preceding the date of issue of such shares, unless (i) the date of issue of such shares is prior to the record date for the First Dividend Payment Date, in which case dividends on such shares will accrue from the date of the first issuance of a share of the Series C Preferred or (ii) the date of issue is a Dividend Payment Date or is a date after the record date for the determination of the holders of shares of the Series C Preferred entitled to receive a dividend and before such Dividend Payment Date, in either of which events such dividends will accrue from such Dividend Payment Date. Accrued but unpaid dividends will cumulate from the applicable Dividend Payment Date but will not bear interest. Dividends paid on the shares of Series C Preferred in an amount less than the total amount of such dividends at the time accrued and payable on such shares will be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board may fix a record date for the determination of the

holders of shares of the Series C Preferred entitled to receive payment of a dividend or distribution declared thereon, which record date will be not more than 60 calendar days prior to the date fixed for the payment thereof.

III. Voting Rights

The holders of shares of the Series C Preferred will have the following voting rights:

(a) Subject to the provision for adjustment hereinafter set forth, each share of the Series C Preferred will entitle the holder thereof to 1,000 votes on all matters submitted to a vote of the stockholders of the Company. In the event the Company at any time (i) declares a dividend on the outstanding shares of Common Stock payable in shares of Common Stock, (ii) subdivides the outstanding shares of Common Stock, (iii) combines the outstanding shares of Common Stock into a smaller number of shares, or (iv) issues any shares of its capital stock in a reclassification of the outstanding shares of Common Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), then, in each such case and regardless of whether any shares of Series C Preferred are then issued or outstanding, the number of votes per share to which the holders of shares of the Series C Preferred would otherwise be entitled immediately prior to such event will be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event, and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) Except as otherwise provided herein, in any Certificate of Designation creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of the Series C Preferred and the holders of shares of the Common Stock and any other capital stock of the Company having general voting rights will vote together as one class on all matters submitted to a vote of stockholders of the Company.

(c) Except as set forth in the Restated Certificate of Incorporation or herein, or as otherwise provided by law, the holders of shares of the Series C Preferred will have no voting rights.

IV. Certain Restrictions

(a) Whenever dividends or other dividends or distributions payable on the Series C Preferred are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of the Series C Preferred outstanding have been paid in full, the Company will not:

(i) Declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the shares of Series C Preferred;

(ii) Declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the shares of Series C Preferred, except dividends paid ratably on the shares of Series C Preferred and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) Redeem, purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the shares of Series C Preferred; provided, however, that the Company may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Company ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the shares of Series C Preferred; or

(iv) Redeem, purchase or otherwise acquire for consideration any shares of the Series C Preferred, or any shares of stock ranking on a parity with the shares of Series C Preferred, except in accordance with a purchase offer made in writing or by publication (as determined by the Board) to all holders of such shares upon such terms as the Board, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, may determine in good faith will result in fair and equitable treatment among the respective series or classes.

(b) The Company will not permit any majority-owned subsidiary of the Company to purchase or otherwise acquire for consideration any shares of stock of the Company unless the Company could, under paragraph (a) of this Article IV, purchase or otherwise acquire such shares at such time and in such manner.

V. Reacquired Shares

Any shares of the Series C Preferred purchased or otherwise acquired by the Company in any manner whatsoever will be retired and canceled promptly after the acquisition thereof. All such shares will upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Restated Certificate of Incorporation, or in any other Certificate of Designation creating a series of Preferred Stock or any similar stock or as otherwise required by law.

VI. Liquidation, Dissolution or Winding Up

Upon any liquidation, dissolution or winding up of the Company, no distribution will be made (a) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the shares of Series C Preferred unless, prior thereto, the holders of shares of the Series C Preferred have received $1,000 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment; provided, however, that the holders of shares of the Series C Preferred will be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount to be distributed per share to the

holders of shares of the Common Stock or (b) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the shares of Series C Preferred, except distributions made ratably on the shares of Series C Preferred and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Company at any time (i) declares a dividend on the outstanding shares of Common Stock payable in shares of Common Stock, (ii) subdivides the outstanding shares of Common Stock, (iii) combines the outstanding shares of Common Stock into a smaller number of shares, or (iv) issues any shares of its capital stock in a reclassification of the outstanding shares of Common Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), then, in each such case and regardless of whether any shares of the Series C Preferred are then issued or outstanding, the aggregate amount to which each holder of shares of the Series C Preferred would otherwise be entitled immediately prior to such event under the proviso in clause (a) of the preceding sentence will be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event, and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

VII. Consolidation, Merger, Etc.

In the event that the Company enters into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then, in each such case, each share of the Series C Preferred will at the same time be similarly exchanged for or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Company at any time (a) declares a dividend on the outstanding shares of Common Stock payable in shares of Common Stock, (b) subdivides the outstanding shares of Common Stock, (c) combines the outstanding shares of Common Stock into a smaller number of shares, or (d) issues any shares of its capital stock in a reclassification of the outstanding shares of Common Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), then, in each such case and regardless of whether any shares of the Series C Preferred are then issued or outstanding, the amount set forth in the preceding sentence with respect to the exchange or change of shares of the Series C Preferred will be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event, and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

VIII. Redemption

The shares of Series C Preferred are not redeemable.

IX. Rank

The Series C Preferred rank, with respect to the payment of dividends and the distribution of assets, junior to all other series of the Company's Preferred Stock and shall rank senior to the Common Stock as to such matters.

X. Amendment

Notwithstanding anything contained in the Restated Certificate of Incorporation to the contrary and in addition to any other vote required by applicable law, the Restated Certificate of Incorporation may not be amended in any manner that would materially alter or change the powers, preferences or special rights of the Series C Preferred so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series C Preferred, voting together as a single series.

IN WITNESS WHEREOF, I have signed this Certificate of Designation on behalf of Star Equity Holdings, Inc. this 2nd day of June 2021.

STAR EQUITY HOLDINGS, INC.

By: _____

Name:

Title:

EXHIBIT B

FORM OF RIGHT CERTIFICATE

Certificate No. R-_____ _____ Rights

NOT EXERCISABLE AFTER JUNE 2, 2024 OR EARLIER IF REDEEMED, EXCHANGED OR AMENDED. THE RIGHTS ARE SUBJECT TO REDEMPTION, EXCHANGE AND AMENDMENT AT THE OPTION OF THE COMPANY, ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT. UNDER CERTAIN CIRCUMSTANCES SPECIFIED IN THE RIGHTS AGREEMENT, RIGHTS THAT ARE OR WERE BENEFICIALLY OWNED BY AN ACQUIRING PERSON OR AN AFFILIATE OR AN ASSOCIATE OF AN ACQUIRING PERSON (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT) OR A TRANSFEREE THEREOF MAY BECOME NULL AND VOID.

Right Certificate

STAR EQUITY HOLDINGS, INC.

This certifies that _____, or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions, and conditions of the Rights Agreement, dated as of June 2, 2021 (the "***Rights Agreement***"), by and between Star Equity Holdings, Inc., a Delaware corporation (the "***Company***"), and American Stock Transfer & Trust Company, LLC, (the "***Rights Agent***"), to purchase from the Company at any time after the Distribution Date (as such term is defined in the Rights Agreement) and prior to the Expiration Date (as such term is defined in the Rights Agreement) at the office or offices of the Rights Agent designated for such purpose, one one-thousandth of a fully paid, non-assessable share of Series C Participating Preferred Stock, par value $0.0001 per share (the "***Preferred Shares***"), of the Company, at a purchase price of $12.00 per one one-thousandth of a Preferred Share (the "***Purchase Price***"), upon presentation and surrender of this Right Certificate with the Form of Election to Purchase and related Certificate duly executed. If this Right Certificate is exercised in part, the holder will be entitled to receive upon the surrender hereof another Right Certificate or Right Certificates for the number of whole Rights not exercised. The number of Rights evidenced by this Right Certificate (and the number of one one-thousandths of a Preferred Share which may be purchased upon the exercise hereof) set forth above, and the Purchase Price set forth above, are the number and Purchase Price as of the date of the Rights Agreement, based on the Preferred Shares as constituted at such date.

As provided in the Rights Agreement, the Purchase Price and/or the number and/or kind of securities issuable upon the exercise of the Rights evidenced by this Right Certificate are subject to adjustment upon the occurrence of certain events.

This Right Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a

full description of the rights, limitations of rights, obligations, duties and immunities of the Rights Agent, the Company and the holders of the Right Certificates, which limitations of rights include the temporary suspension of the exercisability of the Rights under the circumstances specified in the Rights Agreement. Copies of the Rights Agreement are on file at the office or offices of the Rights Agent designated for such purpose and can be obtained from the Company without charge upon the written request therefor. Terms used herein with initial capital letters and not defined herein are used herein with the meanings ascribed thereto in the Rights Agreement.

Pursuant to the Rights Agreement, from and after the occurrence of a Flip-in Event, any Rights that are Beneficially Owned by (i) any Acquiring Person (or any Affiliate or Associate of any Acquiring Person), (ii) a transferee of any Acquiring Person (or any such Affiliate or Associate) who becomes a transferee after the occurrence of a Flip-in Event, or (iii) a transferee of any Acquiring Person (or any such Affiliate or Associate) who became a transferee prior to or concurrently with the Flip-in Event pursuant to either (a) a transfer from an Acquiring Person to holders of its equity securities or to any Person with whom it has any continuing agreement, arrangement or understanding regarding the transferred Rights or (b) a transfer which the Board of Directors of the Company has determined is part of a plan, an arrangement or understanding which has the purpose or effect of avoiding certain provisions of the Rights Agreement, and subsequent transferees of any of such Persons, will be null and void without any further action and any holder of such Rights will thereafter have no rights whatsoever with respect to such Rights under any provision of the Rights Agreement. From and after the occurrence of a Flip-in Event, no Right Certificate will be issued that represents Rights that are or have become null and void pursuant to the provisions of the Rights Agreement, and any Right Certificate delivered to the Rights Agent that represents Rights that are or have become null and void pursuant to the provisions of the Rights Agreement will be canceled.

This Right Certificate, with or without other Right Certificates, may be transferred, split up, combined or exchanged for another Right Certificate or Right Certificates entitling the holder to purchase a like number of one one-thousandths of a Preferred Share (or other securities, as the case may be) as the Right Certificate or Right Certificates surrendered entitled such holder (or former holder in the case of a transfer) to purchase, upon the presentation and surrender hereof at the office or offices of the Rights Agent designated for such purpose, with the Form of Assignment (if appropriate) and the related Certificate duly executed.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Certificate may be redeemed by the Company, at its option, at a redemption price of $0.0001 per Right or may be exchanged in whole or in part. The Rights Agreement may be supplemented and amended by the Company, as provided therein.

The Company is not required to issue fractions of Preferred Shares (other than fractions which are integral multiples of one one-thousandth of a Preferred Share, which may, at the option of the Company, be evidenced by depositary receipts) or other securities issuable upon the exercise of any Right or Rights evidenced hereby. In lieu of issuing such fractional Preferred

Shares or other securities, the Company may make a cash payment, as provided in the Rights Agreement.

No holder of this Right Certificate, as such, will be entitled to vote or receive dividends or be deemed for any purpose the holder of the Preferred Shares or of any other securities of the Company which may at any time be issuable upon the exercise of the Right or Rights represented hereby, nor will anything contained herein or in the Rights Agreement be construed to confer upon the holder hereof, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in the Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by this Right Certificate have been exercised in accordance with the provisions of the Rights Agreement.

This Right Certificate will not be valid or obligatory for any purpose until it has been countersigned by the Rights Agent.

WITNESS the facsimile signature of the officers of the Company and its corporate seal. Dated as of _____, ____.

ATTEST:

_____

STAR EQUITY HOLDINGS, INC.

By: _____
Name:
Title:

Countersigned:

AMERICAN STOCK TRANSFER &
TRUST COMPANY, LLC, as Rights Agent

By: _____
Authorized Signature

Form of Reverse Side of Right Certificate

FORM OF ASSIGNMENT

(To be executed by the registered holder if such
holder desires to transfer the Right Certificate)

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers unto

_____

(Please print name and address of transferee)

_____

this Right Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint _____ Attorney, to transfer the within Right Certificate on the books of the within-named Company, with full power of substitution.

Dated: _____, ____

_____

Signature

Signature Guaranteed:

_____

Signatures must be guaranteed by an eligible guarantor institution (a bank, stockbroker, savings and loan association or credit union with membership in an approved signature guarantee medallion program) at a guarantee level satisfactory to the Rights Agent. A notary public is not sufficient.

CERTIFICATE

The undersigned hereby certifies by checking the appropriate boxes that:

(1) the Rights evidenced by this Right Certificate □ are □ are not being sold, assigned, transferred, split up, combined or exchanged by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate of any such Person (as such terms are defined in the Rights Agreement); and

(2) after due inquiry and to the best knowledge of the undersigned, it □ did □ did not acquire the Rights evidenced by this Right Certificate from any Person who is, was or became an Acquiring Person or an Affiliate or Associate of an Acquiring Person.

Dated: _____, ____

_____

Signature

FORM OF ELECTION TO PURCHASE

(To be executed if the holder desires to
exercise the Right Certificate)

To Star Equity Holdings, Inc.:

The undersigned hereby irrevocably elects to exercise _____ Rights represented by this Right Certificate to purchase the one one-thousandths of a Preferred Share or other securities issuable upon the exercise of such Rights and requests that a certificate or certificates for such securities be issued in the name of and delivered to:

Please insert social security
or other identifying number: _____

_____

(Please print name and address)

_____

If such number of Rights is not all of the Rights evidenced by this Right Certificate, a new Right Certificate for the balance remaining of such Rights will be registered in the name of and delivered to:

Please insert social security
or other identifying number: _____

_____

(Please print name and address)

_____

Dated: _____, ____

_____
Signature

Signature Guaranteed:

_____

Signatures must be guaranteed by an eligible guarantor institution (a bank, stockbroker, savings and loan association or credit union with membership in an approved signature guarantee medallion program) at a guarantee level satisfactory to the Rights Agent. A notary public is not sufficient.

CERTIFICATE

The undersigned hereby certifies by checking the appropriate boxes that:

(1) the Rights evidenced by this Right Certificate □ are □ are not being exercised by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate of any such Person (as such terms are defined pursuant to the Rights Agreement); and

(2) after due inquiry and to the best knowledge of the undersigned, it □ did □ did not acquire the Rights evidenced by this Right Certificate from any Person who is, was, or became an Acquiring Person or an Affiliate or Associate of an Acquiring Person.

Dated: _____, ____

_____
Signature

NOTICE

Signatures on the foregoing Form of Assignment and Form of Election to Purchase and in the related Certificates must correspond to the name as written upon the face of this Right Certificate in every particular, without alteration or enlargement or any change whatsoever.

Signatures must be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved medallion signature program) pursuant to Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended.

EXHIBIT C

SUMMARY OF RIGHTS TO PURCHASE PREFERRED STOCK

On June 2, 2021, the Board of Directors of Star Equity Holdings, Inc. declared a dividend of one preferred share purchase right for each outstanding share of Star Equity Holdings, Inc.'s common stock, par value $0.0001 per share. The dividend is payable on June 14, 2021 to our stockholders of record on that date. The terms of the rights are set forth in a Rights Agreement, dated as of June 2, 2021 (the "***Rights Agreement***"), by and between Star Equity Holdings, Inc. and American Stock Transfer & Trust Company, LLC, as rights agent.

The Rights Agreement is intended to protect stockholder value by attempting to protect against a possible limitation on our ability to use our net operating loss carryforwards and other tax attributes to reduce potential future federal income tax obligations. Under the Internal Revenue Code and rules promulgated by the Internal Revenue Service, we may "***carry forward***" tax losses and credits in certain circumstances to offset any current and future earnings and thus reduce our federal income tax liability, subject to certain requirements and restrictions. To the extent that our tax attributes do not otherwise become limited, we believe that we will be able to carry forward a significant amount of losses and credits, and therefore these tax attributes could be a substantial asset to us. However, if we experience an "***ownership change***," as defined in Section 382 of the Internal Revenue Code, our ability to use these tax attributes will be substantially limited, and the timing of the usage of the tax attributes could be substantially delayed, which could significantly impair the value of that asset.

In general terms, the Rights Agreement imposes a significant penalty upon any person or group that acquires beneficial ownership of 4.99% or more of our outstanding common stock without the prior approval of our Board of Directors. A person or group that acquires a percentage of our common stock in excess of that threshold is called an "***acquiring person***." Any rights held by an acquiring person are null and void and may not be exercised.

This summary of rights provides a general description of the Rights Agreement. Because it is only a summary, this description should be read together with the entire Rights Agreement, which we incorporate in this summary by reference. Upon written request, we will provide a copy of the Rights Agreement free of charge to any stockholder.

The Rights. Our Board of Directors authorized the issuance of one right per each outstanding share of our common stock on June 14, 2021. If the rights become exercisable, each right would allow its holder to purchase from us one one-thousandth of a share of our Series C Participating Preferred Stock for a purchase price of $12.00.

Each fractional share of preferred stock would give the stockholder approximately the same dividend, voting and liquidation rights as does one share of our common stock. Prior to exercise, however, a right does not give its holder any dividend, voting or liquidation rights.

Exercisability. The rights will not be exercisable until the earlier of:

10 days after a public announcement by Star Equity Holdings, Inc. that a person or group has become an acquiring person; and

10 business days (or a later date determined by our Board of Directors) 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.

We refer to the date that the rights become exercisable as the "***distribution date***." Until the distribution date, our common stock certificates will also evidence the rights and will contain a notation to that effect. Any transfer of shares of common stock prior to the distribution date will constitute a transfer of the associated rights. After the distribution date, the rights will separate from the common stock and be evidenced by right certificates, which we will mail to all holders of rights that have not become null and void.

After the distribution date, if a person or group already is or becomes an acquiring person, all holders of rights, except the acquiring person, may exercise their rights upon payment of the purchase price to purchase shares of our common stock (or other securities or assets as determined by the Board of Directors) with a market value of two times the purchase price. We refer to this as a "***flip-in event***."

After the distribution date, if a flip-in event has already occurred and Star Equity Holdings, Inc. is acquired in a merger or similar transaction, all holders of rights, except the acquiring person, may exercise their rights upon payment of the purchase price, to purchase shares of the acquiring or other appropriate entity with a market value of two times the purchase price of the rights. We refer to this as a "***flip-over event***."

Rights may be exercised to purchase our preferred shares only after the distribution date occurs and prior to the occurrence of a flip-in event as described above. A distribution date resulting from the commencement of a tender offer or an exchange offer as described in the second bullet point above could precede the occurrence of a flip-in event, in which case the rights could be exercised to purchase our preferred shares. A distribution date resulting from any occurrence described in the first bullet point above would necessarily follow the occurrence of a flip-in event, in which case the rights could be exercised to purchase shares of common stock (or other securities or assets) as described above.

Exempted Persons and Exempted Transactions. Our Board of Directors recognizes that there may be instances when an acquisition of our common stock that would cause a stockholder to become an acquiring person may not jeopardize the availability of any tax attributes to Star Equity Holdings, Inc. Accordingly, the Rights Agreement grants discretion to the Board of Directors to designate a person as an "Exempt Person" or to designate a transaction involving our common stock as an "Exempt Transaction." An "Exempt Person" cannot become an acquiring person under the Rights Agreement. Our Board of Directors can revoke an "Exempt Person" designation if it subsequently makes a contrary determination regarding whether a person jeopardizes the availability of tax attributes to Star Equity Holdings, Inc.

Expiration. The rights will expire on the earliest of (i) June 2, 2024, which is the third anniversary of the date on which our Board of Directors authorized and declared a dividend of the rights, or such earlier date as of which our Board of Directors determines that the Rights Agreement is no longer necessary for the preservation of our tax assets, (ii) the time at which the rights are redeemed, (iii) the time at which the rights are exchanged, (iv) the effective time of the repeal of Section 382 of the Code or any successor statute if the Board of Directors determines that the Rights Agreement is no longer necessary for the preservation of our tax assets, (v) the first day of a taxable year of the Company to which the Board of Directors determines that no NOLs or other tax assets may be carried forward, and (vi) the day following the certification of the voting results of Star Equity Holdings, Inc.'s 2021 annual meeting of stockholders, if stockholder approval of the Rights Agreement has not been obtained prior to that date.

Redemption. Our Board may redeem all (but not less than all) of the rights for a redemption price of $0.0001 per right at any time before a person or group has become an acquiring person. Once the rights are redeemed, the right to exercise the rights will terminate, and the only right of the holders of such rights will be to receive the redemption price. The redemption price will be adjusted if we declare a stock split or issue a stock dividend on our common stock.

Exchange. At any time after a person or group has become an acquiring person, but before an acquiring person owns 50% or more of our outstanding common stock, our Board of Directors may exchange each right (other than rights that have become null and void) for two shares of common stock or equivalent securities.

Anti-Dilution Provisions. Our Board may adjust the purchase price of the preferred shares, the number of preferred shares issuable and the number of outstanding rights to prevent dilution that may occur as a result of certain events, including, among others, a stock dividend, a stock split or a reclassification of the preferred shares or our common stock. No adjustments to the purchase price of less than one percent will be made.

Amendments. Before the time a person or group has become an acquiring person, our Board of Directors may amend or supplement the Rights Agreement in any respect without the consent of the holders of the rights, except that no amendment may decrease the redemption price below $0.0001 per right. At any time, our Board of Directors may amend or supplement the Rights Agreement to cure an ambiguity, to alter time period provisions, to correct inconsistent provisions or to make any additional changes to the Rights Agreement, but after a person or group has become an acquiring person only to the extent that those changes do not impair or adversely affect any rights holder and do not result in the rights again becoming redeemable. The limitations on our Board of Director's ability to amend the Rights Agreement does not affect our Board of Director's power or ability to take any other action that is consistent with its fiduciary duties, including, without limitation, accelerating or extending the expiration date of the rights, or making any amendment to the Rights Agreement that is permitted by the Rights Agreement or adopting a new rights agreement with such terms as our Board determines in its sole discretion to be appropriate.

* * *

CERTIFICATE OF AMENDMENT
OF THE
RESTATED CERTIFICATE OF INCORPORATION
OF
STAR EQUITY HOLDINGS, INC.

Star Equity Holdings, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "**Corporation**"),

DOES HEREBY CERTIFY:

FIRST: That resolutions were duly adopted by the Board of Directors of the Corporation setting forth this proposed Amendment to the Restated Certificate of Incorporation of the Corporation and declaring said Amendment to be advisable and recommended for approval by the stockholders of the Corporation.

SECOND: This Amendment to the Restated Certificate of Incorporation amends and restates **Article XIV** to the Restated Certificate of Incorporation to read in its entirety as follows:

ARTICLE XIV

PROTECTION OF TAX BENEFITS

(A) DEFINITIONS. As used in this Article XIV, the following capitalized terms have the following meanings when used herein with initial capital letters (and any references to any portions of Treas. Reg. § 1.382-2T shall include any successor provisions):

1. "4.99-percent Transaction" means any Transfer described in clause (i) or (ii) of Section (B) of this Article XIV.

2. "4.99-percent Stockholder" means a Person or group of Persons that is a "5-percent stockholder" of the corporation pursuant to Treas. Reg. § 1.382-2T(g), as applied by replacing "5-percent" with "4.99-percent" and "five percent" with "4.99 percent," where applicable.

3. "Agent" has the meaning set forth in Section (E) of this Article XIV.

4. "Board of Directors" means the board of directors of the Corporation.

5. "Code" means the United States Internal Revenue Code of 1986, as amended from time to time.

6. "Corporation Security" or "Corporation Securities" means (i) any Stock, (ii) shares of preferred stock issued by the Corporation (other than preferred stock described in § 1504(a)(4) of the Code), and (iii) warrants, rights, or options (including options within the meaning of Treas. Reg. § 1.382-2T(h)(4)(v) or Treas. Reg. § 1.382-4(d)(9)) to purchase securities of the Corporation.

7. "Effective Date" means the date of filing of this Amendment to the Restated Certificate of Incorporation of the Corporation with the Secretary of State of the State of Delaware.

8. "Excess Securities" has the meaning set forth in Section (D) of this Article XIV.

9. "Expiration Date" means the earliest of (i) October 15, 2024, (ii) the repeal of Section 382 of the Code or any successor statute if the Board of Directors determines that this Article XIV is no longer necessary or desirable for the preservation of Tax Benefits, (iii) the close of business on the first day of a taxable year of the Corporation as to which the Board of Directors determines that no Tax Benefits may be carried forward or (iv) such date as the Board of Directors shall fix in accordance with Section (L) of this Article XIV.

10. "Percentage Stock Ownership" means the percentage Stock Ownership interest of any Person or group (as the context may require) for purposes of Section 382 of the Code as determined in accordance with Treas. Reg. § 1.382-2(a)(3), Treas. Reg. § 1.382-2T(g), (h), (j) and (k) and Treas. Reg. § 1.382-4, or any successor provisions and other pertinent Internal Revenue Service guidance.

11. "Person" means any individual, partnership, joint venture, limited liability company, firm, corporation, unincorporated association or organization, trust or other entity or any group of such "Persons" having a formal or informal understanding among themselves to make a "coordinated acquisition" of shares within the meaning of Treas. Reg. § 1.382-3(a)(1) or who are otherwise treated as an "entity" within the meaning of Treas. Reg. § 1.382-3(a)(1), and shall include any successor (by merger or otherwise) of any such entity or group.

12. "Prohibited Distributions" means any and all dividends or other distributions paid by the Corporation with respect to any Excess Securities received by a Purported Transferee.

13. "Prohibited Transfer" means any Transfer or purported Transfer of Corporation Securities to the extent that such Transfer is prohibited and/or void under this Article XIV.

14. "Public Group" has the meaning set forth in Treas. Reg. § 1.382-2T(f)(13).

15. "Purported Transferee" has the meaning set forth in Section (D) of this Article XIV.

16. "Remedial Holder" has the meaning set forth in Section (G) of this Article XIV.

17. "Stock" means any interest that would be treated as "stock" of the Corporation pursuant to Treas. Reg. § 1.382-2T(f)(18).

18. "Stock Ownership" means any direct or indirect ownership of Stock, including any ownership by virtue of application of constructive ownership rules, with such direct, indirect and constructive ownership determined under the provisions of Section 382 of the Code and the Treasury Regulations thereunder, including, for the avoidance of doubt, any ownership whereby a Person owns Stock pursuant to a "coordinated acquisition" treated as a single "entity" as defined in Treas. Reg. § 1.382-3(a)(1), or such Stock is otherwise aggregated with Stock owned by such Person pursuant to the provisions of Section 382 of the Code and the Treasury Regulations thereunder.

19. "Tax Benefits" means the net operating loss carry forwards, capital loss carry forwards, general business credit carry forwards, alternative minimum tax credit carry forwards, foreign tax credit carry forwards, disallowed net business interest expense carry forwards under Section 163(j), any credits under Section 53, and any other item that may reduce or result in any credit against any income taxes owed by the Corporation or any of its subsidiaries or refundable credits, including, but not limited to, any item subject to limitation under Section 382 or Section 383 of the Code and the Treasury Regulations promulgated thereunder, and any loss or deduction attributable to a "net unrealized built-in loss" within the meaning of Section 382 of the Code and the Treasury Regulations promulgated thereunder.

20. "Transfer" means, any direct or indirect sale, transfer, assignment, conveyance, pledge or other disposition, event or occurrence or other action taken by a Person, other than the Corporation, that alters the Percentage Stock Ownership of any Person or group, including, a transfer by gift or by operation of law. A Transfer also shall include the creation or grant of an option (including an option within the meaning of Treas. Reg. §1.382-4(d)). For the avoidance of doubt, a Transfer shall not include the creation or grant of an option by the Corporation, nor shall a Transfer include the issuance of Stock by the Corporation.

21. "Transferee" means any Person to whom Corporation Securities are Transferred.

22. "Treasury Regulations" or "Treas. Reg." means the regulations, including temporary regulations or any successor regulations, promulgated under the Code, as amended from time to time.

(B) TRANSFER AND OWNERSHIP RESTRICTIONS. In order to preserve the Tax Benefits, from and after the Effective Date of this Article XIV any attempted Transfer of Corporation Securities prior to the Expiration Date and any attempted Transfer of Corporation Securities pursuant to an agreement entered into prior to the Expiration Date shall be prohibited and void *ab initio* to the extent that, as a result of such Transfer (or any series of Transfers of which such Transfer is a part), either (i) any Person or Persons would become a 4.99-percent Stockholder or (ii) the Percentage Stock Ownership in the Corporation of any 4.99-percent Stockholder would be increased. The prior sentence is not intended to prevent Corporation Securities from being DTC-eligible and shall not preclude the settlement of any transaction in Corporation Securities entered into through the facilities of a national securities exchange; *provided*, *however*, that the Corporation Securities and parties involved in such transaction shall remain subject to the provisions of this Article XIV in respect of such transaction.

(C) EXCEPTIONS.

1. Notwithstanding anything to the contrary herein, Transfers to a Public Group (including a new Public Group created under Treas. Reg. § 1.382-2T(j)(3)(i)) shall be permitted.

2. The restrictions set forth in Section (B) of this Article XIV shall not apply to an attempted Transfer that is a 4.99-percent Transaction if the transferor or the Transferee obtains the written approval of the Board of Directors or a duly authorized committee thereof. As a condition to granting its approval pursuant to this Section (C) of this Article XIV, the Board of Directors may, in its discretion, require (at the expense of the transferor and/or Transferee) an opinion of counsel selected by the Board of Directors that the Transfer shall not result in a

limitation on the use of the Tax Benefits as a result of the application of Section 382 of the Code; *provided* that the Board of Directors may grant such approval notwithstanding the effect of such approval on the Tax Benefits if it determines that the approval is in the best interests of the Corporation. The Board of Directors may grant its approval in whole or in part with respect to such Transfer and may impose any conditions that it deems reasonable and appropriate in connection with such approval, including, without limitation, restrictions on the ability of any Transferee to Transfer Stock acquired through a Transfer. Approvals of the Board of Directors hereunder may be given prospectively or retroactively. The Board of Directors, to the fullest extent permitted by law, may exercise the authority granted by this Article XIV through duly authorized officers or agents of the Corporation. Nothing in this Section (C) of this Article XIV shall be construed to limit or restrict the Board of Directors in the exercise of its fiduciary duties under applicable law.

(D) EXCESS SECURITIES.

1. No employee or agent of the Corporation shall record any Prohibited Transfer, and the purported transferee of such a Prohibited Transfer (the "Purported Transferee") shall not be recognized as a stockholder of the Corporation for any purpose whatsoever in respect of the Corporation Securities which are the subject of the Prohibited Transfer (the "Excess Securities"). The Purported Transferee shall not be entitled, with respect to such Excess Securities, to any rights of stockholders of the Corporation, including, without limitation, the right to vote such Excess Securities and to receive dividends or distributions, whether liquidating or otherwise, in respect thereof, if any, and the Excess Securities shall be deemed to remain with the transferor unless and until the Excess Securities are transferred to the Agent pursuant to Section (E) of this Article XIV or until an approval is obtained under Section (C) of this Article XIV. After the Excess Securities have been acquired in a Transfer that is not a Prohibited Transfer, the Corporation Securities shall cease to be Excess Securities. For this purpose, any Transfer of Excess Securities not in accordance with the provisions of this Section (D) or Section (E) of this Article XIV shall also be a Prohibited Transfer.

2. The Corporation may require as a condition to the registration of the Transfer of any Corporation Securities or the payment of any distribution on any Corporation Securities that the proposed Transferee or payee furnish to the Corporation all information reasonably requested by the Corporation with respect to its direct or indirect ownership interests in such Corporation Securities. The Corporation may make such arrangements or issue such instructions to its stock transfer agent as may be determined by the Board of Directors to be necessary or advisable to implement this Article XIV, including, without limitation, authorizing such transfer agent to require an affidavit from a Purported Transferee regarding such Person's actual and constructive ownership of Stock and other evidence that a Transfer will not be prohibited by this Article XIV as a condition to registering any transfer.

(E) TRANSFER TO AGENT. If the Board of Directors determines that a Transfer of Corporation Securities constitutes a Prohibited Transfer, then, upon written demand by the Corporation sent within thirty days of the date on which the Board of Directors determines that the attempted Transfer would result in Excess Securities, the Purported Transferee shall transfer or cause to be transferred any certificate or other evidence of ownership of the Excess Securities within the Purported Transferee's possession or control, together with any Prohibited Distributions, to an agent designated by the Board of Directors (the "Agent"). The Agent shall thereupon sell to a buyer or buyers, which may include the Corporation, the Excess Securities

transferred to it in one or more arm's-length transactions (on the public securities market on which such Excess Securities are traded, if possible, or otherwise privately); *provided*, *however*, that any such sale must not constitute a Prohibited Transfer and *provided*, *further*, that the Agent shall effect such sale or sales in an orderly fashion and shall not be required to effect any such sale within any specific time frame if, in the Agent's discretion, such sale or sales would disrupt the market for the Corporation Securities or otherwise would adversely affect the value of the Corporation Securities. If the Purported Transferee has resold the Excess Securities before receiving the Corporation's demand to surrender Excess Securities to the Agent, the Purported Transferee shall be deemed to have sold the Excess Securities for the Agent, and shall be required to transfer to the Agent any Prohibited Distributions and proceeds of such sale, except to the extent that the Corporation grants written permission to the Purported Transferee to retain a portion of such sale proceeds not exceeding the amount that the Purported Transferee would have received from the Agent pursuant to Section (F) of this Article XIV if the Agent rather than the Purported Transferee had resold the Excess Securities.

(F) APPLICATION OF PROCEEDS AND PROHIBITED DISTRIBUTIONS. The Agent shall apply any proceeds of a sale by it of Excess Securities and, if the Purported Transferee has previously resold the Excess Securities, any amounts received by it from a Purported Transferee, together, in either case, with any Prohibited Distributions, as follows: (i) first, such amounts shall be paid to the Agent to the extent necessary to cover its costs and expenses incurred in connection with its duties hereunder; (ii) second, any remaining amounts shall be paid to the Purported Transferee, up to the amount paid by the Purported Transferee for the Excess Securities (or the fair market value at the time of the Transfer, in the event the purported Transfer of the Excess Securities was, in whole or in part, a gift, inheritance or similar Transfer) which amount (or fair market value) shall be determined at the discretion of the Board of Directors; and (iii) third, any remaining amounts shall be paid to one or more organizations selected by the Board of Directors which is described under Section 501(c)(3) of the Code (or any comparable successor provision) and contributions to which are eligible for deduction under each of Sections 170(b)(1)(A), 2055 and 2552 of the Code. The Purported Transferee of Excess Securities shall have no claim, cause of action or any other recourse whatsoever against any transferor of Excess Securities. The Purported Transferee's sole right with respect to such shares shall be limited to the amount payable to the Purported Transferee pursuant to this Section (F) of this Article XIV. In no event shall the proceeds of any sale of Excess Securities pursuant to this Section (F) of this Article XIV inure to the benefit of the Corporation or the Agent, except to the extent used to cover costs and expenses incurred by Agent in performing its duties hereunder.

(G) MODIFICATION OF REMEDIES FOR CERTAIN INDIRECT TRANSFERS. In the event of any Transfer that does not involve a transfer of Corporation Securities within the meaning of Delaware law but that would cause a 4.99-percent Stockholder to violate a restriction on Transfers provided for in this Article XIV, the application of Sections (E) and (F) of this Article XIV shall be modified as described in this Section (G) of this Article XIV. In such case, no such 4.99-percent Stockholder shall be required to dispose of any interest that is not a Corporation Security, but such 4.99-percent Stockholder and/or any Person whose ownership of Corporation Securities is attributed to such 4.99-percent Stockholder (such 4.99-percent Stockholder or other Person, a "Remedial Holder") shall be deemed to have disposed of and shall be required to dispose of sufficient Corporation Securities (which Corporation Securities shall be disposed of in the inverse order in which they were acquired) to cause such 4.99-percent Stockholder, following such disposition, not to be in violation of this Article XIV. Such disposition shall be deemed to occur simultaneously with the Transfer giving rise to the

application of this provision, and such number of Corporation Securities that are deemed to be disposed of shall be considered Excess Securities and shall be disposed of through the Agent as provided in Sections (E) and (F) of this Article XIV, except that the maximum aggregate amount payable to a Remedial Holder in connection with such sale shall be the fair market value of such Excess Securities at the time of the purported Transfer. A Remedial Holder shall not be entitled, with respect to such Excess Securities, to any rights of stockholders of the Corporation, including, without limitation, the right to vote such Excess Securities and to receive dividends or distributions, whether liquidating or otherwise, in respect thereof, if any, following the time of the purported Transfer. All expenses incurred by the Agent in disposing of such Excess Stock shall be paid out of any amounts due such 4.99-percent Stockholder or such other Person. The purpose of this Section (G) of this Article XIV is to extend the restrictions in Sections (B) and (E) of this Article XIV to situations in which there is a 4.99-percent Transaction without a direct Transfer of Corporation Securities, and this Section (G) of this Article XIV, along with the other provisions of this Article XIV, shall be interpreted to produce the same results, with differences as the context requires, as a direct Transfer of Corporation Securities.

(H) LEGAL PROCEEDINGS; PROMPT ENFORCEMENT. If the Purported Transferee fails to surrender the Excess Securities or the proceeds of a sale thereof, in either case, with any Prohibited Distributions, to the Agent within thirty days from the date on which the Corporation makes a written demand pursuant to Section (E) of this Article XIV (whether or not made within the time specified in Section (E) of this Article XIV), then the Corporation may take such actions as it deems appropriate to enforce the provisions hereof, including the institution of legal proceedings to compel the surrender. Nothing in this Section (H) of this Article XIV shall (i) be deemed inconsistent with any Transfer of the Excess Securities provided in this Article XIV being void *ab initio*, (ii) preclude the Corporation in its discretion from immediately bringing legal proceedings without a prior demand or (iii) cause any failure of the Corporation to act within the time periods set forth in Section (E) of this Article XIV to constitute a waiver or loss of any right of the Corporation under this Article XIV. The Board of Directors may authorize such additional actions as it deems advisable to give effect to the provisions of this Article XIV.

(I) LIABILITY. To the fullest extent permitted by law, any stockholder subject to the provisions of this Article XIV who knowingly violates the provisions of this Article XIV and any Persons controlling, controlled by or under common control with such stockholder shall be jointly and severally liable to the Corporation for, and shall indemnify and hold the Corporation harmless against, any and all damages suffered as a result of such violation, including but not limited to damages resulting from a reduction in, or elimination of, the Corporation's ability to utilize its Tax Benefits, and attorneys' and auditors' fees incurred in connection with such violation.

(J) OBLIGATION TO PROVIDE INFORMATION. As a condition to the registration of the Transfer of any Stock, any Person who is a beneficial, legal or record holder of Stock, and any proposed Transferee and any Person controlling, controlled by or under common control with the proposed Transferee, shall provide such information as the Corporation may request from time to time in order to determine compliance with this Article XIV or the status of the Tax Benefits of the Corporation.

(K) LEGENDS. The Board of Directors may require that any certificates issued by the Corporation evidencing ownership of shares of Stock that are subject to the restrictions on transfer and ownership contained in this Article XIV bear the following legend:

"THE RESTATED CERTIFICATE OF INCORPORATION OF THE CORPORATION (THE "CERTIFICATE OF INCORPORATION") CONTAINS RESTRICTIONS PROHIBITING THE TRANSFER (AS DEFINED IN THE CERTIFICATE OF INCORPORATION) OF STOCK OF THE CORPORATION (INCLUDING THE CREATION OR GRANT OF CERTAIN OPTIONS, RIGHTS AND WARRANTS) WITHOUT THE PRIOR AUTHORIZATION OF THE BOARD OF DIRECTORS OF THE CORPORATION (THE "BOARD OF DIRECTORS") IF SUCH TRANSFER AFFECTS THE PERCENTAGE OF STOCK OF THE CORPORATION (WITHIN THE MEANING OF SECTION 382 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") AND THE TREASURY REGULATIONS PROMULGATED THEREUNDER) THAT IS TREATED AS OWNED BY A 4.99-PERCENT STOCKHOLDER (AS DEFINED IN THE CERTIFICATE OF INCORPORATION). IF THE TRANSFER RESTRICTIONS ARE VIOLATED, THEN THE TRANSFER WILL BE VOID *AB INITIO* AND THE PURPORTED TRANSFEREE OF THE STOCK WILL BE REQUIRED TO TRANSFER EXCESS SECURITIES (AS DEFINED IN THE CERTIFICATE OF INCORPORATION) TO THE CORPORATION'S AGENT. IN THE EVENT OF A TRANSFER WHICH DOES NOT INVOLVE SECURITIES OF THE CORPORATION WITHIN THE MEANING OF THE GENERAL CORPORATION LAW OF THE STATE OF DELAWARE ("SECURITIES") BUT WHICH WOULD VIOLATE THE TRANSFER RESTRICTIONS, THE PURPORTED TRANSFEREE (OR THE RECORD OWNER) OF THE SECURITIES THAT VIOLATE THE TRANSFER RESTRICTIONS WILL BE REQUIRED TO TRANSFER SUFFICIENT SECURITIES PURSUANT TO THE TERMS PROVIDED FOR IN THE CERTIFICATE OF INCORPORATION TO CAUSE THE 4.99-PERCENT STOCKHOLDER TO NO LONGER BE IN VIOLATION OF THE TRANSFER RESTRICTIONS. THE CORPORATION WILL FURNISH WITHOUT CHARGE TO THE HOLDER OF RECORD OF THIS CERTIFICATE A COPY OF THE CERTIFICATE OF INCORPORATION CONTAINING THE ABOVE-REFERENCED TRANSFER RESTRICTIONS UPON WRITTEN REQUEST TO THE CORPORATION AT ITS PRINCIPAL PLACE OF BUSINESS."

The Board of Directors may also require that any certificates issued by the Corporation evidencing ownership of shares of Stock that are subject to conditions imposed by the Board of Directors under Section (C) of this Article XIV also bear a conspicuous legend referencing the applicable restrictions.

(L) AUTHORITY OF BOARD OF DIRECTORS.

1. The Board of Directors shall have the power to determine all matters necessary for assessing compliance with this Article XIV, including, without limitation, (i) the identification of 4.99-percent Stockholders, (ii) whether a Transfer is a 4.99-percent Transaction or a Prohibited Transfer, (iii) the Percentage Stock Ownership in the Corporation of any 4.99-percent Stockholder, (iv) whether an instrument constitutes a Corporation Security, (v) the

amount (or fair market value) due to a Purported Transferee pursuant to Section (F) of this Article XIV, and (vi) any other matters which the Board of Directors determines to be relevant; and the good faith determination of the Board of Directors on such matters shall be conclusive and binding for all the purposes of this Article XIV. In addition, the Board of Directors may, to the extent permitted by law, from time to time establish, modify, amend or rescind by-laws, regulations and procedures of the Corporation not inconsistent with the provisions of this Article XIV for purposes of determining whether any Transfer of Corporation Securities would jeopardize or endanger the Corporation's ability to preserve and use the Tax Benefits and for the orderly application, administration and implementation of this Article XIV.

2. Nothing contained in this Article XIV shall limit the authority of the Board of Directors to take such other action to the extent permitted by law as it deems necessary or advisable to protect the Corporation and its stockholders in preserving the Tax Benefits. Without limiting the generality of the foregoing, in the event of a change in law making one or more of the following actions necessary or desirable, the Board of Directors may, by adopting a written resolution, (i) accelerate the Expiration Date, (ii) modify the ownership interest percentage in the Corporation or the Persons or groups covered by this Article XIV, (iii) modify the definitions of any terms set forth in this Article XIV or (iv) modify the terms of this Article XIV as appropriate, in each case, in order to prevent an ownership change for purposes of Section 382 of the Code as a result of any changes in applicable Treasury Regulations or otherwise; *provided*, *however*, that the Board of Directors shall not cause there to be such acceleration or modification unless it determines, by adopting a written resolution, that such action is reasonably necessary or advisable to preserve the Tax Benefits or that the continuation of these restrictions is no longer reasonably necessary for the preservation of the Tax Benefits. Stockholders of the Corporation shall be notified of such determination through a filing with the Securities and Exchange Commission or such other method of notice as the Secretary of the Corporation shall deem appropriate.

3. In the case of an ambiguity in the application of any of the provisions of this Article XIV, including any definition used herein, the Board of Directors shall have the power to determine the application of such provisions with respect to any situation based on its reasonable belief, understanding or knowledge of the circumstances. In the event this Article XIV requires an action by the Board of Directors but fails to provide specific guidance with respect to such action, the Board of Directors shall have the power to determine the action to be taken so long as such action is not contrary to the provisions of this Article XIV. All such actions, calculations, interpretations and determinations which are done or made by the Board of Directors in good faith shall be conclusive and binding on the Corporation, the Agent, and all other parties for all other purposes of this Article XIV. The Board of Directors may delegate all or any portion of its duties and powers under this Article XIV to a committee of the Board of Directors as it deems necessary or advisable and, to the fullest extent permitted by law, may exercise the authority granted by this Article XIV through duly authorized officers or agents of the Corporation. Nothing in this Article XIV shall be construed to limit or restrict the Board of Directors in its exercise of its fiduciary duties under applicable law.

(M) RELIANCE. To the fullest extent permitted by law, the Corporation and the members of the Board of Directors shall be fully protected in relying in good faith upon the information, opinions, reports or statements of the chief executive officer, the chief financial officer, the chief accounting officer or the corporate controller of the Corporation and the Corporation's legal counsel, independent auditors, transfer agent, investment bankers or other employees and agents in making the determinations and findings contemplated by this Article

XIV. The members of the Board of Directors shall not be responsible for any good faith errors made in connection therewith. For purposes of determining the existence and identity of, and the amount of any Corporation Securities owned by, any stockholder, the Corporation is entitled to rely on the existence and absence of filings of Schedule 13D or 13G under the Securities and Exchange Act of 1934, as amended (or similar filings), as of any date, subject to its actual knowledge of the ownership of Corporation Securities.

(N) BENEFITS OF THIS ARTICLE XIV. Nothing in this Article XIV shall be construed to give to any Person other than the Corporation or the Agent any legal or equitable right, remedy or claim under this Article XIV. This Article XIV shall be for the sole and exclusive benefit of the Corporation and the Agent.

(O) SEVERABILITY. The purpose of this Article XIV is to facilitate the Corporation's ability to maintain or preserve its Tax Benefits. If any provision of this Article XIV or the application of any such provision to any Person or under any circumstance shall be held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision of this Article XIV.

(P) WAIVER. With regard to any power, remedy or right provided herein or otherwise available to the Corporation or the Agent under this Article XIV, (i) no waiver will be effective unless expressly contained in a writing signed by the waiving party and (ii) no alteration, modification or impairment will be implied by reason of any previous waiver, extension of time, delay or omission in exercise or other indulgence.

THIRD: That, pursuant to resolution of its Board of Directors, an annual meeting of the stockholders of the Corporation was duly called and held, upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware, at which meeting the necessary number of shares as required by applicable law was voted in favor of the Amendment.

FOURTH: That said Amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment of the Restated Certificate of Incorporation to be executed on this [•] day of [•], 2021.

STAR EQUITY HOLDINGS, INC.

By: /s/

Name: Jeffrey E. Eberwein
Title: Executive Chairman