

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Star Equity Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
Incorporation or Organization)

7363
(Primary Standard Industrial
Classification Code Number)

59-3547281
(I.R.S. Employer
Identification Number)

c/o Star Equity Holdings, Inc.
53 Forest Avenue, Suite 101
Old Greenwich, CT 06870
(203) 489-9500

(Address, including zip code, and telephone number, including area code, of registrant’s principal executive offices)

Jeffrey E. Eberwein
Chief Executive Officer
Star Equity Holdings, Inc.
53 Forest Avenue, Suite 101
Old Greenwich, CT 06870
(203) 489-9500

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Adam Finerman
Baker & Hostetler LLP
45 Rockefeller Plaza
New York, NY 10111
(212) 589-4233

Harte Hanks, Inc.
1 Executive Drive, Suite 303
Chelmsford, MA 01824
(512) 434-1100

Travis Wofford
Carina L. Antweil
Baker Botts L.L.P.
910 Louisiana Street
Houston, TX 77002
(713) 229-1234

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this Registration Statement is declared effective and upon completion of the Merger described herein.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

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

Large accelerated filer	☐	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 7(a)(2)(B) of the Securities Act. ☐

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)
☐

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)
☐

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE U.S. SECURITIES AND EXCHANGE COMMISSION ACTING PURSUANT TO SAID SECTION 8(a) MAY DETERMINE.

The information in this proxy statement/prospectus is not complete and may be changed. A registration statement relating to the securities described in this proxy statement/prospectus has been filed with the U.S. Securities and Exchange Commission. These securities may not be issued until the registration statement filed with the U.S. Securities and Exchange Commission is effective. This proxy statement/prospectus does not constitute an offer to sell or the solicitation of offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

PRELIMINARY - SUBJECT TO COMPLETION - DATED OCTOBER 19, 2026



MERGER PROPOSAL - YOUR VOTE IS VERY IMPORTANT

To the Stockholders of Harte Hanks, Inc.:

On behalf of the board of directors of Harte Hanks, Inc., a Delaware corporation, (“**Harte Hanks**”), we are pleased to enclose the accompanying proxy statement/prospectus relating to the merger of Merger Sub - R, Inc., a Delaware corporation, (“**Merger Sub**”), and a direct, wholly owned subsidiary of Star Equity Holdings, Inc., a Delaware corporation (“**Star**”), with and into Harte Hanks, with Harte Hanks surviving and Merger Sub ceasing to exist. We are requesting that you take certain actions as a Harte Hanks stockholder.

On August 14, 2026, Harte Hanks, Star, and Merger Sub entered into an Agreement and Plan of Merger (as may be amended, modified or supplemented from time to time in accordance with its terms, the “**Merger Agreement**”). Under the Merger Agreement, Merger Sub will merge with and into Harte Hanks, with Harte Hanks surviving such Merger as a wholly owned subsidiary of Star (the “**Merger**”), and Merger Sub will cease to exist.

Upon the terms and subject to the conditions of the Merger Agreement, at the Effective Time of the Merger (the “**Effective Time**”), each share of common stock, par value \$1.00 per share, of Harte Hanks (“**Harte Hanks Common Stock**”) issued and outstanding immediately prior to the Effective Time, other than shares held by Harte Hanks as treasury stock or owned by Star, Merger Sub or any direct or indirect wholly owned subsidiary of Star or Merger Sub, will be converted into the right to receive, at the election of the holder and subject to the proration procedures described below, either (i) \$5.00 in cash, without interest (the “**Cash Consideration**”) or (ii) 0.50 shares of Star’s 10% Series A Cumulative Perpetual Preferred Stock, par value \$0.001 per share (“**Star Preferred Stock**”) (the “**Preferred Stock Consideration**”). Harte Hanks stockholders may elect to receive Cash Consideration for all of their shares, Preferred Stock Consideration for all of their shares, or a combination of both by electing Cash Consideration for some shares and Preferred Stock Consideration for others, in each case subject to the proration procedures described below. Shares of Harte Hanks Common Stock for which no election is properly made, or for which an election is revoked or deemed lost, will be converted into the right to receive the Cash Consideration, the Preferred Stock Consideration or a combination of both, as described below. “**Merger Consideration**” means, collectively, the Cash Consideration, the Preferred Stock Consideration, any combination thereof and any cash paid in lieu of fractional shares of Star Preferred Stock.

The elections of Harte Hanks stockholders are subject to proration provisions designed to ensure that the aggregate amount of cash paid in the Merger in respect of shares of Harte Hanks Common Stock and certain Harte Hanks equity awards, together with any cash paid in lieu of fractional shares of Star Preferred Stock, does not exceed \$19.2 million (the “**Maximum Cash Amount**”). If the aggregate amount of cash that would be paid in respect of all shares for which a cash election is properly made is less than the Maximum Cash Amount, each share for which a cash election is properly made will receive the Cash Consideration, each share for which a preferred stock election is properly made will receive the Preferred Stock Consideration, and each share for which no election is properly made will receive, at Star’s election, the Cash Consideration, the Preferred Stock Consideration or a combination of both, provided that the aggregate amount of cash paid in the Merger does not exceed the Maximum Cash Amount.

If the aggregate amount of cash that would be paid in respect of all shares for which a cash election is properly made exceeds the Maximum Cash Amount, each share for which a preferred stock election is properly made, and each share for which no election is properly made, will receive Preferred Stock Consideration. Each share for which a cash election is properly made will receive a prorated portion of the Cash Consideration, based on the ratio of the Maximum Cash Amount to the aggregate amount of cash that would otherwise be payable if all cash-electing shares received the Cash Consideration in full, and will receive the Preferred Stock Consideration with respect to each share not converted into the right to receive cash.

No fractional shares of Star Preferred Stock will be issued in the Merger. In lieu of any fractional share of Star Preferred Stock that otherwise would be issued, the holder will receive cash, without interest, in an amount equal to the applicable fractional share multiplied by \$10.00. The Merger Consideration is also subject to appropriate adjustment to reflect any stock split, reverse stock split, stock dividend, reorganization, recapitalization, reclassification, combination, exchange of shares or similar change with respect to Harte Hanks Common Stock occurring after the date of the Merger Agreement and prior to the Effective Time.

Because the amount of cash and preferred stock ultimately issued in the Merger will depend on stockholder elections and the application of the proration provisions in the Merger Agreement, the exact number of shares of Star Preferred Stock that will be issued in connection with the Merger cannot be determined at this time. Accordingly, ownership percentages of Star's Preferred Stock following the completion of the Merger will depend on the final election results by the holders of Harte Hanks Common Stock and proration calculations made pursuant to the Merger Agreement.

Due to fluctuations in the market price of Star Preferred Stock, which may occur independently of any proration, and because the number of shares of Star Preferred Stock that each Harte Hanks stockholder will receive may be affected by the proration calculations described above, the market value of the Preferred Stock Consideration will not be known at the time Harte Hanks stockholders vote on the Merger. Star Preferred Stock is currently traded on the Nasdaq Global Select Market under the symbol "STRRP." Based on the closing price of Star Preferred Stock of \$10.14 per share on August 13, 2026, the last full trading day before the public announcement of the merger agreement, the aggregate value of the Preferred Stock Consideration represented approximately \$19.4 million, if the Maximum Cash Amount was elected and Preferred Stock was issued for the remaining merger consideration.

The Merger cannot be completed unless the Merger Agreement is adopted by the affirmative vote of the holders of a majority of the voting power of the outstanding shares of Harte Hanks Common Stock entitled to vote on the Merger (the "Requisite Stockholder Approval"). No vote of any other class or series of capital stock is required to adopt the Merger Agreement or approve the Merger.

A special meeting of holders of Harte Hanks Common Stock (the "Harte Hanks Special Meeting") will take place on [____], 2026 at [__]:00 p.m., Eastern Time, or at such other time as the Harte Hanks Special Meeting may be adjourned or postponed. The Harte Hanks Special Meeting will be held at Harte Hanks' principal executive office located at 1 Executive Drive, Suite 303, Chelmsford, MA 01824. Holders of Harte Hanks Common Stock as of the close of business on [____], 2026 (the "Record Date") are entitled to notice of, and to vote at, the Harte Hanks Special Meeting to approve and adopt the Merger Agreement as described in this proxy statement/prospectus.

Your vote is very important, regardless of the number of shares of Harte Hanks Common Stock you own. To ensure your representation at the Harte Hanks Special Meeting, please take time to vote by following the instructions contained in this proxy statement/prospectus and on your proxy card. Please vote promptly whether or not you expect to attend the Harte Hanks Special Meeting. Submitting a proxy now will not prevent you from being able to vote at the Harte Hanks Special Meeting.

The board of directors of Harte Hanks has unanimously determined that the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger, are advisable and in the best interests of Harte Hanks and its stockholders, has unanimously approved and adopted the execution, delivery and performance by Harte Hanks of the Merger Agreement and the consummation of the transactions contemplated thereby, including the Merger, and unanimously recommends that Harte Hanks stockholders vote "FOR" the Harte Hanks Merger Proposal and "FOR" the Non-Binding Advisory Compensation Proposal.

This proxy statement/prospectus provides you with detailed information about the Merger Agreement and the Merger. It also contains or references information about Star and Harte Hanks and certain related matters. You are encouraged to read this proxy statement/prospectus carefully. In particular, you should read the "Risk Factors" section beginning on page 42 for a discussion of the risks you should consider in evaluating the proposed Merger and how it will affect you. You can also obtain information about Star and Harte Hanks from documents that have been filed with the U.S. Securities and Exchange Commission.

On behalf of the board of directors of Harte Hanks, thank you for your prompt attention to this important matter.

Sincerely,

/s/ John H. Griffin, Jr.

John H. Griffin, Jr.

Chairman of the Board

/s/ David Fisher

David Fisher

President

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued in connection with the Merger or determined if this document is accurate or complete. Any representation to the contrary is a criminal offense.

The accompanying proxy statement/prospectus is dated [____], 2026 and is first being mailed to holders of Harte Hanks Common Stock on or about [____], 2026.

ADDITIONAL INFORMATION

The accompanying proxy statement/prospectus incorporates important business and financial information about Star from other documents that are not included in or delivered with this document. This information is available to you without charge upon your written or oral request. You can obtain the documents through the U.S. Securities and Exchange Commission website at <http://www.sec.gov>. You will also be able to obtain these documents from Star free of charge on Star's website, <https://www.starequity.com/sec-filings>. You may also request these documents in writing or by telephone, at the address below:

**53 Forest Avenue, Suite 101
Old Greenwich, Connecticut 06870
(203) 489-9500
Attention: Corporate Secretary**

You will not be charged for any of these documents that you request. **To obtain timely delivery of these documents, you must request them no later than five (5) business days before the date of the Harte Hanks Special Meeting. This means that holders of Harte Hanks Common Stock requesting documents must do so by [____], 2026, in order to receive them before the Harte Hanks Special Meeting.**

No one has been authorized to provide you with information that is different from that contained in, or referenced in, this document. This document is dated [____], 2026, and you should assume that the information in this document is accurate only as of such date. You should assume that the information in this document is accurate as of the date of such document. Neither the mailing of this document to holders of Harte Hanks Common Stock, nor the issuance by Star of shares of Star Preferred Stock pursuant to the Merger Agreement will create any implication to the contrary.

The information on Star's website is not part of this document. References to Star's website in this document are intended to serve as textual references only.

This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction. Except where the context otherwise indicates, information contained in, or referenced in, this document regarding Star has been provided by Star and information contained in this document regarding Harte Hanks has been provided by Harte Hanks.

See "Where You Can Find More Information" beginning on page 135 of the accompanying proxy statement/prospectus for further information.



Harte Hanks, Inc.
1 Executive Drive, Suite 303
Chelmsford, MA 01824

NOTICE OF SPECIAL MEETING OF HARTE HANKS, INC. STOCKHOLDERS

To Harte Hanks, Inc. Stockholders:

On August 14, 2026, Star Equity Holdings, Inc. (“**Star**”), Merger Sub - R, Inc., a direct, wholly owned subsidiary of Star (“**Merger Sub**”), and Harte Hanks, Inc. (“**Harte Hanks**”) entered into an Agreement and Plan of Merger (as may be amended, modified or supplemented from time to time in accordance with its terms, the “**Merger Agreement**”). A copy of the Merger Agreement is attached as **Annex A** to the accompanying proxy statement/prospectus.

NOTICE IS HEREBY GIVEN that a special meeting of holders of Harte Hanks Common Stock (the “**Harte Hanks Special Meeting**”) will take place on [____], 2026 at [__]:00 p.m., Eastern Time, or at such other time as the Harte Hanks Special Meeting may be adjourned or postponed. The Harte Hanks Special Meeting will be held at Harte Hanks’ principal executive office located at 1 Executive Drive, Suite 303, Chelmsford, MA 01824. At the Harte Hanks Special Meeting, holders of Harte Hanks Common Stock will be asked to vote on the following matters:

1. A proposal to approve the Agreement and Plan of Merger, dated as of August 14, 2026, by and among Star, Merger Sub, and Harte Hanks, and the transactions contemplated by that agreement, pursuant to which Merger Sub will merge with and into Harte Hanks, as more fully described in the accompanying proxy statement/prospectus (the “**Harte Hanks Merger Proposal**”);
2. A proposal to approve, on an advisory (non-binding) basis, the compensation that will or may become payable to Harte Hanks’ named executive officers in connection with the Merger, as disclosed pursuant to Item 402(t) of Regulation S-K in the Golden Parachute Compensation table and related narrative disclosures in this proxy statement/prospectus (the “**Non-Binding Advisory Compensation Proposal**”); and
3. To transact such other business as may properly come before the Special Meeting or any adjournments or postponements thereof.

The board of directors of Harte Hanks has fixed the close of business on [____], 2026 as the Record Date for the Harte Hanks Special Meeting. Only holders of record of Harte Hanks Common Stock as of the close of business on the Record Date for the Harte Hanks Special Meeting are entitled to notice of the Harte Hanks Special Meeting or any adjournment or postponement thereof. Only holders of record of Harte Hanks Common Stock will be entitled to vote at the Harte Hanks Special Meeting or any adjournment or postponement thereof.

The board of directors of Harte Hanks unanimously recommends that holders of Harte Hanks Common Stock vote “FOR” the Harte Hanks Merger Proposal and “FOR” the Non-Binding Advisory Compensation Proposal.

Your vote is important. We cannot complete the transactions contemplated by the Merger Agreement unless holders of Harte Hanks Common Stock approve the Harte Hanks Merger Proposal. The affirmative vote of the holders of a majority of the voting power of the outstanding shares of Harte Hanks Common Stock entitled to vote on the Merger is required to approve the Harte Hanks Merger Proposal. Approval of the Non-Binding Advisory Compensation Proposal requires the affirmative vote of a majority of the votes cast at the Special Meeting, provided a quorum is present. Approval of the Non-Binding Advisory Compensation Proposal is not a condition to completion of the Merger.

Whether or not you plan to attend the Harte Hanks Special Meeting, we urge you to please promptly complete, sign, date and return the accompanying proxy card in the enclosed postage-paid envelope or authorize the individuals named on the accompanying proxy card to vote your shares by using the internet as described in the instructions included with the accompanying proxy card. If your shares are held in the name of a bank, broker or other nominee, please follow the instructions on the voting instruction card furnished by such bank, broker or other nominee.

By Order of the Board of Directors,

/s/ John H. Griffin, Jr.

John H. Griffin, Jr.

Chairman of the Board

[____], 2026

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QUESTIONS AND ANSWERS

The following are some questions that you may have about the Merger and the Harte Hanks Special Meeting, and brief answers to those questions. We urge you to read carefully the remainder of this proxy statement/prospectus because the information in this section does not provide all of the information that might be important to you with respect to the Merger and the Harte Hanks Special Meeting. See “Where You Can Find More Information” beginning on page 135.

In this proxy statement/prospectus, unless the context otherwise requires:

● **“Company Material Adverse Effect”** means any fact, change, event, violation, inaccuracy, effect, occurrence or circumstance (each, an “Effect”) that, individually or taken together with all other Effects, has had or would reasonably be expected to have a material adverse effect on the business, financial condition, or results of operations of Harte Hanks and its subsidiaries, taken as a whole, or would reasonably be expected to, individually or in the aggregate, make impossible the ability of Harte Hanks to satisfy the conditions precedent to the Merger or consummate the Merger and the other transactions contemplated by this Agreement prior to the Termination Date; provided, however, that none of the following (by itself or when aggregated) will be deemed to be or constitute a Company Material Adverse Effect or will be taken into account when determining whether a Company Material Adverse Effect has occurred or may, would or could occur (subject to the limitations set forth below):

1. changes in general economic conditions in the United States or any other country or region in the world, or changes in conditions in the global economy generally;
2. changes in conditions in the financial markets or capital markets in the United States or any other country or region in the world, including exchange-rate changes or a suspension of securities trading generally;
3. changes in conditions in the industries in which Harte Hanks conducts business;
4. changes in regulatory, legislative or political conditions;
5. geopolitical conditions, cyberattack, hostilities, war, sabotage, terrorism or military actions;
6. natural disasters, weather conditions, epidemics, pandemics, disease outbreaks, other force-majeure events or acts of God;
7. effects resulting from the negotiation, execution, delivery, announcement, pendency, performance, compliance with, or consummation of the Merger Agreement or Transactions, including related relationship effects;
8. actions expressly required by the Merger Agreement or consented to by Star;
9. actions that Star expressly approves, consents to or requests in writing after signing;
10. changes or proposed changes in GAAP, other accounting standards, applicable laws or regulations, or their enforcement or interpretation;
11. changes in the price or trading volume of Harte Hanks Common Stock or changes or prospective changes to Harte Hanks’ credit rating, subject to the agreement’s underlying-cause qualification;
12. failure to meet public estimates or expectations, or internal budgets, plans, projections or forecasts, subject to the agreement’s underlying-cause qualification;
13. Harte Hanks Transaction Litigation; or
14. any breach, violation or non-performance by Star or Merger Sub of their obligations under the Merger Agreement.

The carveouts in clauses (1)–(6) and (10) do not apply to the extent the relevant Effect has had, or would reasonably be expected to have, a disproportionate adverse effect on Harte Hanks, taken as a whole, relative to other companies operating in the industries in which Harte Hanks operates.

- **“Harte Hanks”** refers to Harte Hanks, Inc., a Delaware corporation;
- **“Harte Hanks certificate of incorporation”** refers to the Amended and Restated Certificate of Incorporation of Harte Hanks, Inc.
- **“Harte Hanks bylaws”** refers to the Fifth Amended and Restated bylaws of Harte Hanks, Inc.;
- **“Harte Hanks Common Stock”** refers to the common stock of Harte Hanks, par value \$1.00 per share
- **“Harte Hanks stockholders”** refers to holders of shares of Harte Hanks Common Stock;
- **“Harte Hanks Special Meeting”** refers to the Special Meeting of Harte Hanks stockholders to be held on [____], 2026 to consider and vote on the Harte Hanks Merger Proposal;
- **“Star”** refers to Star Equity Holdings, Inc., a Delaware corporation;
- **“Star certificate of incorporation”** refers to the Amended and Restated Certificate of Incorporation of Star Equity Holdings, Inc., as amended;
- **“Star bylaws”** refers to the Amended and Restated bylaws of Star Equity Holdings, Inc., as amended;
- **“Star Common Stock”** refers to the common stock of Star, \$0.001 par value;
- **“Star Preferred Stock”** refers to the 10% Series A Cumulative Perpetual Preferred Stock of Star, \$0.001 par value;
- **“Merger Sub”** refers to Merger Sub - R, Inc., a Delaware corporation and a direct, wholly owned subsidiary of Star;
- **“Parent Material Adverse Effect”** means any Effect that, individually or taken together with all other Effects, has had or would reasonably be expected to have a material adverse effect on the business, financial condition, or results of operations of Star and its subsidiaries, taken as a whole, or would reasonably be expected to, individually or in the aggregate, make impossible the ability of Star to satisfy the conditions precedent to the Merger or consummate the Merger and the other transactions contemplated by this Agreement prior to the Termination Date; provided, however, that none of the following (by itself or when aggregated) will be deemed to be or constitute a Parent Material Adverse Effect or will be taken into account when determining whether a Parent Material Adverse Effect has occurred or may, would or could occur (subject to the limitations set forth below):
 1. changes in general economic conditions in the United States or any other country or region in the world, or changes in the global economy generally;
 2. changes in financial or capital-market conditions, including exchange-rate changes or a general trading suspension;

3. *changes in industries in which Star conducts business;*
4. *regulatory, legislative or political changes;*
5. *geopolitical conditions, cyberattack, hostilities, war, sabotage, terrorism or military actions;*
6. *natural disasters, weather conditions, epidemics, pandemics, disease outbreaks, force-majeure events or acts of God;*
7. *effects resulting from the negotiation, execution, delivery, announcement, pendency, performance, compliance with, or consummation of the Merger Agreement or Transactions, including relationship effects;*
8. *actions expressly required by the Merger Agreement or consented to by Harte Hanks;*
9. *actions Harte Hanks expressly approves, consents to or requests in writing after signing;*
10. *changes or proposed changes in GAAP, other accounting standards, applicable laws or regulations, or their enforcement or interpretation;*
11. *changes in the price or trading volume of Star Common Stock or changes or prospective changes to Star's credit rating, subject to the agreement's underlying-cause qualification;*
12. *failure to meet public estimates or expectations, or internal budgets, plans, projections or forecasts, subject to the agreement's underlying-cause qualification; or*
13. *any breach, violation or non-performance by Harte Hanks of its obligations under the Merger Agreement.*

The carveouts in clauses (1)–(6) and (10) do not apply to the extent the relevant Effect has had, or would reasonably be expected to have, a disproportionate adverse effect on Star, taken as a whole, relative to other companies operating in the industries in which Star operates.

Q: Why am I receiving this proxy statement/prospectus?

A: You are receiving this proxy statement/prospectus because Star, Merger Sub and Harte Hanks have entered into an Agreement and Plan of Merger, dated August 14, 2026 (as may be amended, modified or supplemented from time to time in accordance with its terms, the “**Merger Agreement**”), pursuant to which Merger Sub will merge with and into Harte Hanks, with Harte Hanks surviving such Merger (the “**Surviving Corporation**”) as a wholly owned subsidiary of Star (the “**Merger**”), and Merger Sub will cease to exist. A copy of the Merger Agreement is attached as **Annex A** to this proxy statement/prospectus and is incorporated by reference herein. In this proxy statement/prospectus, we refer to the closing of the Merger as the “**Closing**” and the date on which the Closing occurs as the “**Closing Date**.” In order to complete the Merger, among other things, Harte Hanks stockholders must approve the Merger Agreement (the “**Harte Hanks Merger Proposal**”). Harte Hanks is holding the Harte Hanks Special Meeting to obtain approval of the Harte Hanks Merger Proposal and to submit the Non-Binding Advisory Compensation Proposal to Harte Hanks stockholders for an advisory vote.

This document is also a prospectus that is being delivered to Harte Hanks stockholders because, pursuant to the Merger Agreement, Star is offering shares of Star Preferred Stock to Harte Hanks stockholders. This proxy statement/prospectus contains important information about the Merger, the Harte Hanks Merger Proposal and the Non-Binding Advisory Compensation Proposal being voted on at the Harte Hanks Special Meeting. You should read it carefully and in its entirety. The enclosed materials allow you to have your Harte Hanks shares of common stock voted by proxy without attending the Harte Hanks Special Meeting. **Your vote is important and we encourage you to submit your proxy as soon as possible.**

Q: What will happen in the Merger?

A: In the Merger, Merger Sub will merge with and into Harte Hanks, with Harte Hanks surviving such Merger as a wholly owned subsidiary of Star, and Merger Sub will cease to exist.

Upon the terms and subject to the conditions of the Merger Agreement, at the time of filing of a certificate of merger in customary form and substance with the Secretary of State of the State of Delaware (the “**Effective Time**”), each share of common stock, par value \$1.00 per share, of Harte Hanks (“**Harte Hanks Common Stock**”) issued and outstanding immediately prior to the Effective Time, other than shares held by Harte Hanks as treasury stock or owned by Star, Merger Sub or any direct or indirect wholly owned subsidiary of Star or Merger Sub, will be converted into the right to receive, subject to the proration procedures described below, either (i) \$5.00 in cash, without interest (the “**Cash Consideration**”), or (ii) 0.50 shares of Star’s 10% Series A Cumulative Perpetual Preferred Stock, par value \$0.001 per share (“**Star Preferred Stock**”) (the “**Preferred Stock Consideration**”). Harte Hanks stockholders may elect to receive Cash Consideration for all of their shares, Preferred Stock Consideration for all of their shares, or a combination of both by electing Cash Consideration for some shares and Preferred Stock Consideration for others, in each case subject to the proration procedures described below. Shares of Harte Hanks Common Stock for which no election is properly made, or for which an election is revoked or deemed lost, will be converted into the right to receive the Cash Consideration, the Preferred Stock Consideration or a combination of both, as described below.

The elections of Harte Hanks stockholders are subject to proration provisions designed to ensure that the aggregate amount of cash paid in the Merger in respect of shares of Harte Hanks Common Stock and certain Harte Hanks equity awards, together with any cash paid in lieu of fractional shares of Star Preferred Stock, does not exceed \$19.2 million (the “**Maximum Cash Amount**”). If the aggregate amount of cash that would be paid in respect of all shares for which a cash election is properly made is less than the Maximum Cash Amount, each share for which a cash election is properly made will receive the Cash Consideration, each share for which a preferred stock election is properly made will receive the Preferred Stock Consideration, and each share for which no election is properly made will receive, at Star’s election, the Cash Consideration, the Preferred Stock Consideration or a combination of both, provided that the aggregate amount of cash paid in the Merger does not exceed the Maximum Cash Amount.

If the aggregate amount of cash that would be paid in respect of all shares for which a cash election is properly made exceeds the Maximum Cash Amount, each share for which a preferred stock election is properly made, and each share for which no election is properly made, will receive Preferred Stock Consideration. Each share for which a cash election is properly made will receive a prorated portion of the Cash Consideration, based on the ratio of the Maximum Cash Amount to the aggregate amount of cash that would otherwise be payable if all cash-electing shares received the Cash Consideration in full, and will receive the Preferred Stock Consideration with respect to the remaining portion of that share.

No fractional shares of Star Preferred Stock will be issued in the Merger. In lieu of any fractional share of Star Preferred Stock that otherwise would be issued, the holder will receive cash, without interest, in an amount equal to the applicable fractional share multiplied by \$10.00. The Merger Consideration is also subject to appropriate adjustment to reflect any stock split, reverse stock split, stock dividend, reorganization, recapitalization, reclassification, combination, exchange of shares or similar change with respect to Harte Hanks Common Stock occurring after the date of the Merger Agreement and prior to the Effective Time.

Because the amount of cash and preferred stock ultimately issued in the Merger will depend on stockholder elections and the application of the proration provisions in the Merger Agreement, the exact number of shares of Star Preferred Stock that will be issued in connection with the Merger cannot be determined at this time. Accordingly, ownership percentages of Star following the completion of the Merger will depend on the final election results and proration calculations.

Due to fluctuations in the market price of Star Preferred Stock, which may occur independently of any proration, and because the number of shares of Star Preferred Stock that each Harte Hanks stockholder will receive may be affected by the proration calculations described above, the market value of the Preferred Stock Consideration will not be known at the time Harte Hanks stockholders vote on the Merger. Star Preferred Stock is currently traded on the Nasdaq Global Select Market under the symbol “STRRP.” Based on the closing price of Star Preferred Stock of \$10.14 per share on August 13, 2026, the last full trading day before the public announcement of the merger agreement, the aggregate value of the Preferred Stock Consideration represented approximately \$38.9 million, if the maximum amount of Preferred Stock Consideration is issued.

After the completion of the Merger, Star Preferred stockholders will continue to own their existing shares of Star Preferred Stock. See the information provided in the section entitled “Structure of the Merger” beginning on page 98 and the Merger Agreement included as **Annex A** for more information about the Merger.

Q: When and where will the Harte Hanks Special Meeting take place?

A: The Harte Hanks Special Meeting will take place on [_____], 2026 at [__]:00 p.m., Eastern Time, or at such other time as the Harte Hanks Special Meeting may be adjourned or postponed. The Harte Hanks Special Meeting will be held at Harte Hanks’ principal executive office located at 1 Executive Drive, Suite 303, Chelmsford, MA 01824. Even if you plan to attend the Harte Hanks Special Meeting, Harte Hanks recommends that you vote your shares in advance as described below so that your vote will be counted if you later decide not to or become unable to attend the Harte Hanks Special Meeting.

Q: What matters will be considered at the Harte Hanks Special Meeting?

A: At the Harte Hanks Special Meeting, Harte Hanks stockholders will be asked to consider and vote on the following proposals:

- Harte Hanks Proposal 1: The Harte Hanks Merger Proposal; and
- Harte Hanks Proposal 2: The Non-Binding Advisory Compensation Proposal.

Q: Why am I being asked to vote on a proposal regarding compensation of Harte Hanks’ named executive officers?

A: Section 14A of the Exchange Act and Rule 14a-21(c) thereunder require Harte Hanks to submit to a separate stockholder advisory vote the compensation that may be paid or become payable to its named executive officers in connection with the Merger, as disclosed pursuant to Item 402(t) of Regulation S-K. The vote is separate and apart from the vote on the Harte Hanks Merger Proposal, is advisory only, is not binding on Harte Hanks, the board of directors of Harte Hanks, Star or Merger Sub, and is not a condition to completion of the Merger.

In order to complete the Merger, among other things, Harte Hanks stockholders must approve the Harte Hanks Merger Proposal. The Non-Binding Advisory Compensation Proposal is advisory only, is separate and apart from the Harte Hanks Merger Proposal and is not a condition to completion of the Merger.

Q: What will Harte Hanks stockholders receive in the Merger?

A: Upon the terms and subject to the conditions of the Merger Agreement, at the Effective Time, each share of Harte Hanks Common Stock outstanding immediately prior to the Effective Time, other than certain shares held by Harte Hanks, Star, Merger Sub or their wholly owned subsidiaries, will be converted into the right to receive, at the election of the holder thereof and subject to the proration provisions described below, either:

- the Cash Consideration; or
- the Preferred Stock Consideration.

Stockholders may elect to receive Cash Consideration, Preferred Stock Consideration or a combination of both with respect to their shares, including by electing Cash Consideration for some shares and Preferred Stock Consideration for others, subject to the proration procedures set forth in the Merger Agreement. Shares for which no valid election is made, or for which an election is revoked or deemed lost, will be treated as non-electing shares. If aggregate cash elections are less than the Maximum Cash Amount available under the Merger Agreement, Star will determine whether non-electing shares receive Cash Consideration, Preferred Stock Consideration or a combination of both. If aggregate cash elections exceed the Maximum Cash Amount (as defined below), non-electing shares will receive Preferred Stock Consideration, and holders making cash elections will receive a prorated combination of Cash Consideration and Preferred Stock Consideration.

The aggregate amount of cash payable in the Merger, together with cash payable in respect of certain equity awards and cash paid in lieu of fractional shares of Star Preferred Stock, may not exceed the Maximum Cash Amount. If the aggregate amount of cash that would otherwise be payable to stockholders electing cash is less than or equal to the Maximum Cash Amount, all stockholders making valid cash elections will receive the full Cash Consideration, and all stockholders making valid preferred stock elections will receive the Preferred Stock Consideration. Non-electing shares may receive cash, Preferred Stock, or a combination of both, as determined by Star, provided the Maximum Cash Amount is not exceeded.

If the aggregate amount of cash that would otherwise be payable to stockholders electing cash exceeds the Maximum Cash Amount, all shares for which preferred stock elections are made and all non-electing shares will receive the Preferred Stock Consideration. Cash-electing shares will receive a prorated portion of the Cash Consideration and the balance of the consideration will be paid in shares of Star Preferred Stock in accordance with the Merger Agreement.

No fractional shares of Star Preferred Stock will be issued in the Merger. In lieu of any fractional share that would otherwise be issued, the holder will receive cash, without interest, equal to the fractional share multiplied by \$10.00.

The Merger Consideration is also subject to adjustment to reflect the effect of any stock split, reverse stock split, stock dividend, recapitalization, reclassification, combination, exchange of shares or similar transaction affecting Harte Hanks Common Stock between the date of the Merger Agreement and the Effective Time.

Q: What will Star stockholders receive in the Merger?

A: In the Merger, Star stockholders will not receive any consideration, and their shares of Star Common Stock and/or Star Preferred Stock will remain outstanding and will constitute shares of Star following the Merger. Following the Merger, shares of Star Preferred Stock will continue to be traded on the Nasdaq Global Select Market.

Q: Will the value of the Merger Consideration change between the date of this proxy statement/prospectus and the time the Merger is completed?

A: Yes. The value of the Merger Consideration may change between the date of this proxy statement/prospectus and the completion of the Merger.

Harte Hanks stockholders may elect to receive Cash Consideration, Preferred Stock Consideration or a combination of both for their shares, subject to the election and proration procedures set forth in the Merger Agreement. Depending on the aggregate elections made by Harte Hanks stockholders, the application of the proration provisions and, in certain circumstances, Star's determination of the consideration payable in respect of non-electing shares, a holder may receive Cash Consideration, Preferred Stock Consideration or a combination of both. Accordingly, the aggregate value of the Merger Consideration payable in the Merger cannot be determined solely by reference to the trading price of Star Preferred Stock prior to the completion of the Merger.

Due to fluctuations in the market price of Star Preferred Stock, which may occur independently of any proration, and because the number of shares of Star Preferred Stock that each Harte Hanks stockholder will receive may be affected by the proration calculations described above, the market value of the Preferred Stock Consideration will not be known at the time Harte Hanks stockholders vote on the Merger. Star Preferred Stock is currently traded on the Nasdaq Global Select Market under the symbol “STRRP.” Based on the closing price of Star Preferred Stock of \$10.14 per share on August 13, 2026, the last full trading day before the public announcement of the merger agreement, the aggregate value of the Preferred Stock Consideration represented approximately \$38.9 million, if the maximum amount of Preferred Stock Consideration is issued.

Because the final allocation of Cash Consideration and Preferred Stock Consideration among Harte Hanks stockholders will not be known until elections have been received and the proration calculations have been completed, it is not possible at this time to determine the aggregate value of the Merger Consideration that will be payable to all Harte Hanks stockholders based on any particular trading price of Star Preferred Stock.

Q: How will the Merger affect Harte Hanks equity awards?

A: Pursuant to the Merger Agreement, at the Effective Time, each Harte Hanks stock option that is identified on the disclosure schedules to the Merger Agreement and is outstanding and unexercised immediately prior to the Effective Time will be cancelled and treated as an “**Award Company Share**,” which is any share of Harte Hanks Common Stock underlying a Harte Hanks equity award that is entitled to receive Merger Consideration. Such stock option will be converted into the right to receive Merger Consideration equal to the product of (i) the excess, if any, of the applicable Merger Consideration over the exercise price of such stock option and (ii) the number of shares of Harte Hanks Common Stock subject to such Harte Hanks stock option. Holders of such stock options may make elections with respect to the form of consideration to be received, subject to the election, proration and Maximum Cash Amount provisions applicable to holders of Harte Hanks Common Stock. Accordingly, holders may receive Cash Consideration, Preferred Stock Consideration or a combination of both pursuant to those election and proration procedures. Any stock option with an exercise price equal to or greater than the applicable Merger Consideration, and any stock option not identified on the disclosure schedules, will be cancelled without payment or consideration.

At the Effective Time, each Harte Hanks restricted stock unit award (“**RSU**”) that is outstanding immediately prior to the Effective Time and identified on the disclosure schedules will be cancelled and treated as an Award Company Share. Each such RSU will be converted into the right to receive Merger Consideration based on the number of shares of Harte Hanks Common Stock underlying the RSU. Holders of RSUs may make elections with respect to the form of consideration to be received, subject to the same election, proration and Maximum Cash Amount provisions applicable to holders of Harte Hanks Common Stock. As a result, holders may receive Cash Consideration, Preferred Stock Consideration or a combination of both pursuant to those procedures.

At the Effective Time, each Harte Hanks performance stock unit award (“**PSU**”) outstanding immediately prior to the Effective Time will be cancelled without payment or consideration.

Q: How will the Merger affect the Harte Hanks 401(k) plan?

A: The Merger Agreement provides that, if requested by Star at least ten (10) Business Days prior to the Closing Date, Harte Hanks will take all actions reasonably necessary to terminate the Harte Hanks 401(k) plan effective no later than the day immediately preceding the Closing Date. Any such termination would be contingent upon and effective only in connection with the consummation of the Merger.

If the Harte Hanks 401(k) plan is terminated, Star will take all actions reasonably necessary to permit continuing employees to participate in Star or an affiliate’s 401(k) plan (the “**Star 401(k) Plan**”) on or as soon as reasonably practicable following the Closing Date. In addition, Star will cause the Star 401(k) Plan to accept eligible rollover distributions (within the meaning of Section 402(c)(4) of the Internal Revenue Code of 1986, as amended (the “**Code**”)) from continuing employees with respect to their account balances under the Harte Hanks 401(k) plan, including any participant loans, to the extent elected by the applicable employee.

The Merger Agreement also requires Harte Hanks and Star to cooperate in good faith with respect to the timing and implementation of any actions relating to the Harte Hanks 401(k) plan and the Star 401(k) Plan.

Q: How will Star finance the Cash Consideration and the other amounts payable in connection with the Merger?

A: Star expects to finance the cash required to complete the Merger through the Debt Financing. Completion of the Merger is subject to the satisfaction or waiver of the conditions to the Debt Financing or any permitted Alternative Debt Financing and to Star having at least \$15.0 million of financing proceeds available on the Closing Date.

For additional information, see “Conditions to Complete the Merger” beginning on page 108.

Q: How does the board of directors of Harte Hanks recommend that I vote at the Harte Hanks Special Meeting?

A: The board of directors of Harte Hanks unanimously recommends that you vote “FOR” the Harte Hanks Merger Proposal and “FOR” the Non-Binding Advisory Compensation Proposal.

In considering the recommendations of the board of directors of Harte Hanks, Harte Hanks stockholders should be aware that Harte Hanks directors and executive officers may have interests in the Merger that are different from, or in addition to, the interests of Harte Hanks stockholders generally. For a more complete description of these interests, see the information provided in the section entitled “Interests of Harte Hanks Directors and Executive Officers in the Merger” beginning on page 93.

Q: Who is entitled to vote at the Harte Hanks Special Meeting?

A: The Record Date for the Harte Hanks Special Meeting is [____], 2026. All Harte Hanks stockholders who held shares of Harte Hanks Common Stock at the close of business on the Record Date for the Harte Hanks Special Meeting are entitled to receive notice of, and to vote at, the Harte Hanks Special Meeting.

Each Harte Hanks stockholder who held shares of Harte Hanks Common Stock as of the Record Date is entitled to cast one (1) vote on each matter properly brought before the Harte Hanks Special Meeting for each share of Harte Hanks Common Stock that such holder owned of record as of the Record Date. As of [____], 2026, there were [____] outstanding shares of Harte Hanks Common Stock.

Attendance at the Harte Hanks Special Meeting is not required to vote. See below and the section entitled “Proxies” beginning on page 52 for instructions on how to vote your shares of Harte Hanks Common Stock without attending the Harte Hanks Special Meeting.

Q: What constitutes a quorum for the Harte Hanks Special Meeting?

A: The presence at the Harte Hanks Special Meeting, or by proxy, of holders of a majority of outstanding voting power of Harte Hanks Common Stock entitled to vote at the Harte Hanks Special Meeting will constitute a quorum for the transaction of business at the Harte Hanks Special Meeting. Abstentions will be included in determining the number of shares present at the meeting for the purpose of determining the presence of a quorum, but not a broker non-vote or other failure to vote.

Q: What vote is required for the approval of the proposals at the Harte Hanks Special Meeting?

A: *Harte Hanks Proposal 1: The Harte Hanks Merger Proposal.* Approval of the Harte Hanks Merger Proposal requires the affirmative vote of the holders of a majority of the voting power of the outstanding shares of Harte Hanks Common Stock entitled to vote on the Merger. An abstention, broker non-vote or other failure to vote will have the same effect as a vote “AGAINST” the Harte Hanks Merger Proposal.

Harte Hanks Proposal 2: The Non-Binding Advisory Compensation Proposal. Approval of the Non-Binding Advisory Compensation Proposal requires the affirmative vote of a majority of the votes cast at the Special Meeting, provided a quorum is present. Abstentions, broker non-votes and failures to vote or submit a proxy will not be counted as votes cast and will have no effect on the outcome of the proposal. The vote is advisory only and is not a condition to completion of the Merger.

Q: Are there any Harte Hanks stockholders already committed to voting in favor of the Harte Hanks Merger Proposal?

A: Yes. John H. Griffin, Jr., Genevieve C. Combes, Bradley L. Radoff, Elizabeth Ross, David Fisher and David A. Garrison, solely in such director’s or executive officer’s capacity as a stockholder of Harte Hanks, have entered into a voting agreement with Star requiring each such director or executive officer to vote all shares of Harte Hanks Common Stock owned by such director or executive officer in favor of the Harte Hanks Merger Proposal. As of the Record Date, these directors and executive officers held [____] shares of Harte Hanks Common Stock, which represented approximately [____]% of the outstanding shares of Harte Hanks Common Stock.

Q: Will Star vote any shares of Harte Hanks Common Stock that it owns at the Harte Hanks Special Meeting?

A: Yes. As of the Record Date for the Harte Hanks Special Meeting, Star beneficially owned 82,000 shares of Harte Hanks Common Stock, representing approximately 1.1% of the outstanding shares of Harte Hanks Common Stock entitled to vote at the Special Meeting. Star intends to vote, or cause to be voted, all such shares FOR the Harte Hanks Merger Proposal.

Q: If I hold my Harte Hanks Common Stock in “street name” through my bank, broker or other nominee, will my broker vote my shares for me?

A: If you hold your shares through a bank, broker or other nominee in “street name” instead of as a stockholder of record, you must follow the voting instructions provided by your intermediary in order to vote your shares.

Broker non-votes are votes that are not cast (and are not permitted to be cast) on a non-routine matter because the broker has not received voting instructions from the beneficial owner. On routine matters, brokers have discretionary authority to cast a vote in the absence of voting instructions from the beneficial owner. However, because all of the proposals in this proxy statement/prospectus are considered non-routine matters, shares held in “street name” will not be counted as present for the purpose of determining the existence of a quorum unless the Harte Hanks stockholder provides their intermediary with voting instructions for the proposal before the Special Meeting. Further, intermediaries who hold Harte Hanks Common Stock in “street name” for their customers do not have discretionary authority to vote such shares with respect to the Merger Proposal. Accordingly, if intermediaries do not receive specific voting instructions from the beneficial owner of such shares, they may not vote such shares with respect to the Merger Proposal. It is therefore critical that you cast your vote by instructing your intermediary on how to vote.

Street-name holders who wish to attend and vote at the Special Meeting must follow the voting instructions provided by their intermediary in order to vote their shares.

Q: How can I attend the Harte Hanks Special Meeting?

A: You may attend the Harte Hanks Special Meeting in-person, which will take place on [____], 2026 at [__]:00 p.m., Eastern Time, or at such other time as the Harte Hanks Special Meeting may be adjourned or postponed. The Harte Hanks Special Meeting will be held at Harte Hanks’ principal executive office located at 1 Executive Drive, Suite 303, Chelmsford, MA 01824.

Registration and check-in for the Harte Hanks Special Meeting will begin at approximately [__]:00 p.m., Eastern Time. Harte Hanks encourages stockholders to arrive sufficiently in advance of the scheduled meeting time to complete the check-in process.

To attend the Harte Hanks Special Meeting, you should be prepared to present valid government-issued photo identification and proof that you owned shares of Harte Hanks Common Stock as of the Record Date. If your shares are held in “street name,” acceptable proof of ownership may include a brokerage statement or letter from your bank, broker, trustee or other nominee showing that you beneficially owned shares as of the Record Date. To vote in person, you must also obtain and present a valid legal proxy from your bank, broker, trustee or other nominee.

If you hold shares of Harte Hanks Common Stock in “street name” through a bank, broker, trustee or other nominee and wish to vote your shares in person at the Harte Hanks Special Meeting, you must obtain a valid legal proxy from your bank, broker, trustee or other nominee and present it at the Harte Hanks Special Meeting. You should contact your bank, broker, trustee or other nominee for instructions regarding how to obtain a legal proxy.

Even if you plan to attend the Harte Hanks Special Meeting, Harte Hanks recommends that you vote in advance by following the instructions on your proxy card or voting instruction form so that your vote will be counted if you later decide not to attend.

Q: How may I submit questions during the Harte Hanks Special Meeting?

A: Stockholders who are entitled to attend the Harte Hanks Special Meeting in person may submit questions during the meeting. Instructions regarding the submission of questions and the rules of conduct for the meeting will be provided at the Special Meeting.

Questions should relate directly to the business of the Harte Hanks Special Meeting. Harte Hanks intends to answer questions that comply with the meeting’s rules of conduct, subject to time constraints. Questions that are substantially similar may be grouped and answered together.

If you hold your shares through a bank, broker, trustee or other nominee, you should follow the instructions provided by your intermediary regarding obtaining a legal proxy or other documentation necessary to attend and vote at the Harte Hanks Special Meeting in person.

Q: Whom do I contact if I have questions about the Harte Hanks Special Meeting or the Merger?

A: If you are a Harte Hanks stockholder and have questions about the Harte Hanks Special Meeting or the Merger, or desire additional copies of this proxy statement/prospectus or additional proxy cards, you may contact:

Harte Hanks, Inc., at the following address, phone number or e-mail address:
Harte Hanks, Inc. (Attention: General Counsel)
1 Executive Drive, Suite 303
Chelmsford, MA 01824
general.counsel@hartehanks.com
1-512-434-1100

Q: Who will solicit and pay the cost of soliciting proxies in connection with the Harte Hanks Special Meeting?

A: The board of directors of Harte Hanks is soliciting the Harte Hanks stockholders’ proxies in connection with the Harte Hanks Special Meeting. Star is responsible for the expenses incurred in connection with the printing and mailing of this proxy statement/prospectus. Harte Hanks has retained [] as proxy solicitor to assist with the solicitation of proxies in connection with the Harte Hanks Special Meeting. Solicitation initially will be made by mail. Forms of proxies and proxy materials may also be distributed through banks, brokers and other nominees to the beneficial owners of shares of Harte Hanks Common Stock, in which case these parties will be reimbursed for their reasonable out-of-pocket expenses. Proxies may also be solicited in person or by telephone, facsimile, electronic mail or other electronic medium by directors, officers and employees of Harte Hanks, without additional compensation.

Harte Hanks may also request banks, brokers, trustees and other intermediaries holding shares of Harte Hanks Common Stock beneficially owned by others to send this document to, and obtain proxies from, the beneficial owners and may reimburse such record holders for their reasonable out-of-pocket expenses in so doing.

Q: How can I vote my shares without attending the Harte Hanks Special Meeting?

A: Whether you hold your shares of Harte Hanks Common Stock directly as the holder of record of Harte Hanks Common Stock or beneficially in “street name,” you may direct your vote by proxy without attending the Harte Hanks Special Meeting.

If you are a record holder of Harte Hanks Common Stock, you can vote your shares by mail by following the instructions provided in the enclosed proxy card (or cast your vote by internet as provided on the proxy card). If you hold shares beneficially in “street name” as a beneficial owner of Harte Hanks Common Stock, you should follow the voting instructions provided by your bank, broker, trustee or other nominee. Additional information on voting procedures can be found under the section entitled “The Harte Hanks Special Meeting - Voting at the Harte Hanks Special Meeting” on page 51.

Q: What happens if there is not a quorum or Harte Hanks has not received enough proxies to approve the Merger Proposal?

A: If a quorum is not present at the Harte Hanks Special Meeting or Harte Hanks has not received proxies representing a sufficient number of shares to approve the Merger Proposal, the meeting may be adjourned. Harte Hanks is not asking stockholders to vote on a separate adjournment proposal because, under the Harte Hanks bylaws, the presiding officer of the Harte Hanks Special Meeting has authority to adjourn the meeting without obtaining additional stockholder approval.

Q: What do I need to do now?

A: After carefully reading and considering the information contained in this document, please vote as soon as possible. If you hold shares of Harte Hanks Common Stock, please respond by completing, signing and dating the accompanying proxy card and returning it in the enclosed postage-paid envelope or authorize the individuals named on the accompanying proxy card to vote your shares by using the internet as described in the instructions included with the accompanying proxy card as soon as possible so that your shares may be represented at the Harte Hanks Special Meeting. Please note that if you are a beneficial owner with shares held in “street name,” you should follow the voting instructions provided by your bank, broker, trustee or other nominee.

Q: What will happen to Harte Hanks Common Stock if the Merger is completed?

A: If the Merger is completed, Harte Hanks will become a wholly owned subsidiary of Star, and Harte Hanks Common Stock will cease to be publicly traded. Harte Hanks Common Stock will be delisted from Nasdaq and deregistered under the Exchange Act as promptly as practicable following the completion of the Merger. Harte Hanks stockholders will cease to have any rights as Harte Hanks stockholders, other than the right to receive the Merger Consideration to which they are entitled under the Merger Agreement.

Q: What is a “broker non-vote”?

A: A broker non-vote generally occurs when a bank, broker, trustee or other nominee holding shares in street name does not receive voting instructions from the beneficial owner and does not have discretionary authority to vote on the matter being considered.

The Harte Hanks Merger Proposal and the Non-Binding Advisory Compensation Proposal are expected to be non-routine matters. As a result, banks, brokers, trustees and other nominees will not have discretionary authority to vote shares held in street name on either proposal. Accordingly, if you hold your shares through a bank, broker, trustee or other nominee, you must provide voting instructions to your bank, broker, trustee or other nominee in order for your shares to be voted at the Harte Hanks Special Meeting.

Because no routine proposals are expected to be presented at the Harte Hanks Special Meeting, broker non-votes are not expected. However, if you fail to provide voting instructions to your bank, broker, trustee or other nominee, your shares will not be voted on the proposals to be considered at the Harte Hanks Special Meeting. Since approval of the Harte Hanks Merger Proposal requires the affirmative vote of a majority of the outstanding voting power of Harte Hanks Common Stock entitled to vote on the proposal, a failure to vote will have the same effect as a vote “AGAINST” the Harte Hanks Merger Proposal. The vote on the Non-Binding Advisory Compensation Proposal is advisory only and is not a condition to completion of the Merger.

Q: What if I fail to vote or abstain?

A: An abstention occurs when a Harte Hanks stockholder attends the Harte Hanks Special Meeting and does not vote or returns a proxy with an “abstain” instruction. An abstention will have the same effect as a vote “AGAINST” the Harte Hanks Merger Proposal. If a Harte Hanks stockholder is not present at the Harte Hanks Special Meeting and does not respond by proxy, it will also have the same effect as a vote “AGAINST” the Harte Hanks Merger Proposal.

Q: Why is my vote important?

A: If you do not vote, it will be more difficult for Harte Hanks to obtain the necessary quorum to hold the Harte Hanks Special Meeting and to obtain the stockholder approval that its board of directors is recommending and seeking. Approval of the Harte Hanks Merger Proposal requires the affirmative vote of the holders of a majority of the voting power of the outstanding shares of Harte Hanks Common Stock entitled to vote on the Merger. Your failure to submit a proxy or vote at the Harte Hanks Special Meeting, or failure to instruct your bank, broker, trustee or other nominee how to vote, will prevent your shares of Harte Hanks Common Stock from being counted toward the quorum for the Harte Hanks Special Meeting and will have the same effect as a vote “AGAINST” the Harte Hanks Merger Proposal.

The board of directors of Harte Hanks unanimously recommends that you vote “FOR” the Harte Hanks Merger Proposal.

Q: What will happen if I return my proxy card without indicating how to vote?

A: If you sign and return your proxy card without indicating how to vote on any particular proposal, the shares of Harte Hanks Common Stock represented by your proxy will be voted as recommended by the board of directors of Harte Hanks with respect to such proposal.

Q: Can I change my vote after I have delivered my proxy or voting instruction card?

A: If you directly hold shares of Harte Hanks Common Stock in your name as a record holder, you can change your vote at any time before your proxy is voted at the Harte Hanks Special Meeting. You can do this by:

- submitting a written statement that you would like to revoke your proxy to the corporate secretary of Harte Hanks;
- casting your vote by internet as provided on the proxy card;
- signing and returning a proxy card with a later date; or
- attending the Harte Hanks Special Meeting and voting at the Harte Hanks Special Meeting.

If you are a beneficial owner and your shares are held by a bank, broker, trustee or other nominee, you may change your vote by:

- contacting your bank, broker, trustee or other nominee and following its procedures for changing your voting instructions; or
- obtaining a legal proxy from your bank, broker, trustee or other nominee and voting in accordance with the procedures described in the proxy statement/prospectus for beneficial owners.

Please contact your bank, broker, trustee or other nominee for additional information regarding how to change your voting instructions and, if applicable, how to obtain a legal proxy to vote your shares at the Harte Hanks Special Meeting.

Q: Will Harte Hanks be required to submit the Harte Hanks Merger Proposal to its stockholders even if the board of directors of Harte Hanks has withdrawn, modified or qualified its recommendation?

A: Yes. Unless the Merger Agreement has been validly terminated prior to the Harte Hanks Special Meeting, Harte Hanks is required to submit the Merger Agreement and the Merger to its stockholders for approval, even if the board of directors of Harte Hanks has withdrawn, modified or qualified its recommendation in favor of the Merger or otherwise effected a change in recommendation regarding the Merger.

Q: Are Harte Hanks stockholders entitled to dissenters' rights of appraisal?

A: No. Holders of Harte Hanks Common Stock are not entitled to appraisal rights in connection with the Merger under the Delaware General Corporation Law.

Q: Are there any risks that I should consider in deciding whether to vote for the Harte Hanks Merger Proposal at the Harte Hanks Special Meeting?

A: Yes. You should read and carefully consider the risk factors set forth in the section entitled "Risk Factors" beginning on page 42. You also should read and carefully consider the risk factors of Star contained in the documents that are incorporated by reference into this proxy statement/prospectus.

Q: What are the material U.S. federal income tax consequences of the Merger to Harte Hanks stockholders?

A: The Merger will be treated as a taxable transaction for U.S. federal income tax purposes. Accordingly, a U.S. holder (as defined below) that exchanges its shares of Harte Hanks Common Stock for the Merger Consideration in the Merger generally will recognize gain or loss equal to the difference, if any, between (i) the sum of the cash (including cash in lieu of any fractional share of Star Preferred Stock) and the fair market value of the Star Preferred Stock received in the Merger and (ii) the U.S. holder's adjusted tax basis in the Harte Hanks Common Stock surrendered in exchange therefor.

A non-U.S. holder (as defined below) will generally not be subject to U.S. federal income tax with respect to the exchange of shares of Harte Hanks Common Stock for the Merger Consideration in the Merger unless such non-U.S. holder has certain connections to the United States as described in "Material U.S. Federal Income Tax Consequences of the Merger".

The tax consequences of the Merger will depend on each Harte Hanks stockholder's particular circumstances. In addition, Harte Hanks stockholders may be subject to state, local and non-U.S. tax laws that are not discussed in this proxy statement/prospectus. Accordingly, Harte Hanks stockholders should consult their own tax advisors regarding the tax consequences of the Merger. See the section entitled "Material U.S. Federal Income Tax Consequences of the Merger" beginning on page 114 for a more complete discussion of the U.S. federal income tax consequences of the Merger.

Q: When is the Merger expected to be completed?

A: Neither Star nor Harte Hanks can predict the actual date on which the Merger will be completed, or if the Merger will be completed at all, because completion is subject to conditions and factors outside the control of both companies. Harte Hanks must first obtain the approval of Harte Hanks stockholders for the Harte Hanks Merger Proposal, and Star and Harte Hanks must satisfy certain other closing conditions. Star and Harte Hanks expect the Merger to be completed promptly once Harte Hanks has obtained its stockholders' approval as noted above, and Star and Harte Hanks have satisfied certain other closing conditions.

Q: What are the conditions to complete the Merger?

A: The obligations of Star and Harte Hanks to complete the Merger are subject to the satisfaction or waiver of certain closing conditions contained in the Merger Agreement, including:

- receipt of the requisite approval of the Harte Hanks stockholders;
- the registration statement on Form S-4 having been declared effective by the Securities and Exchange Commission and not being subject to any stop order or proceeding seeking a stop order;
- the absence of any law, order, injunction or other legal restraint prohibiting or making illegal the consummation of the Merger;
- the accuracy of the representations and warranties of the parties, subject to the materiality standards set forth in the Merger Agreement;
- compliance in all material respects by each party with its covenants and obligations under the Merger Agreement
- delivery of customary officer's certificates by the parties;
- the absence of a Company Material Adverse Effect with respect to Harte Hanks and the absence of a Parent Material Adverse Effect with respect to Star, in each case continuing through Closing;
- delivery to Star of the ABL Loan Agreement Amendment (as defined in the Merger Agreement) required under the Merger Agreement;
- satisfaction or waiver of all conditions to the Debt Financing (or Alternative Debt Financing) and availability of not less than \$15.0 million under such financing arrangements on the Closing Date; and
- receipt of certain required third-party consents, waivers, approvals and notices identified in the Merger Agreement.

For more information, see "Conditions to Complete the Merger" beginning on page 108.

Q: What happens if the Merger is not completed?

A: If the Merger is not completed, Harte Hanks stockholders will not receive any Cash Consideration or shares of Star Preferred Stock in connection with the Merger. Instead, Harte Hanks will remain an independent company and Star will not acquire Harte Hanks pursuant to the Merger Agreement.

The Merger Agreement may be terminated by Harte Hanks or Star under certain circumstances described in the Merger Agreement, including by mutual written consent, if the Merger has not been completed by the outside date of 11:59 p.m. Eastern Time, on March 1, 2027, if a governmental authority permanently prohibits the Merger, or, in certain circumstances, following a failure of Harte Hanks stockholders to approve the Merger Agreement.

In addition, under certain specified circumstances, Harte Hanks may be required to pay Star a termination fee. Generally, the termination fee is \$1,152,000. The Merger Agreement provided for a reduced \$576,000 fee only if Harte Hanks terminated the Merger Agreement to enter into a definitive Alternative Acquisition Agreement with an Exempted Party and that agreement was entered into on or prior to the No-Shop Period Start Date, which occurred at 11:59 p.m., Eastern Time, on September 13, 2026 which is the thirtieth day after August 14, 2026 (the “**Go-Shop Period**”). Because no Alternative Acquisition Agreement was entered into on or prior to that date, the reduced fee is a historical possibility that is no longer available; any later termination to enter into an Alternative Acquisition Agreement with an Exempted Party would require payment of the full \$1,152,000 Company Termination Fee. The termination fee may become payable if, among other circumstances, the board of directors of Harte Hanks changes its recommendation in favor of the Merger, Harte Hanks terminates the Merger Agreement to enter into a definitive agreement with respect to a Superior Proposal, or the Merger Agreement is terminated in certain circumstances involving any bona fide offer or proposal (other than an offer or proposal by Star or Merger Sub) to engage in an Acquisition Transaction (an “**Acquisition Proposal**”) and a subsequent alternative transaction. See “Termination of the Merger Agreement,” “Star Termination Fee,” and “Harte Hanks Termination Fee” beginning on page 112.

In certain specified circumstances, Star may be required to pay Harte Hanks a termination fee of \$1,152,000, including if the Merger Agreement is terminated because Star breaches the Merger Agreement in a manner that causes certain closing conditions to fail or if Star fails to complete the Merger when required under the Merger Agreement.

For a more complete description of the circumstances under which the Merger Agreement may be terminated and the fees and expenses that may become payable, see the sections entitled “Termination of the Merger Agreement,” “Star Termination Fee,” and “Harte Hanks Termination Fee” beginning on page 112.

Q: What happens if I sell my shares after the Harte Hanks Record Date but before Harte Hanks’ Special Meeting?

A: The Harte Hanks Record Date is earlier than the date of the Harte Hanks Special Meeting, and earlier than the date that the Merger is expected to be completed. If you sell or otherwise transfer your shares of Harte Hanks Common Stock after the Harte Hanks Record Date but before the date of the Harte Hanks Special Meeting, you will retain your right to vote at the Harte Hanks Special Meeting (provided that such shares remain outstanding on the date of such Harte Hanks Special Meeting), but you will not have the right to receive the Merger Consideration to be received by Harte Hanks stockholders in connection with the Merger. In order to receive the Merger Consideration, you must hold your shares of Harte Hanks Common Stock through the completion of the Merger.

Q: How do I elect the form of Merger Consideration I wish to receive?

A: To make a valid election, you must properly complete and sign the election form and deliver it, together with any other required materials, to the payment agent in accordance with the instructions included with the election form. The payment agent must receive your properly completed election materials no later than 5:00 p.m., Eastern Time, on the Election Date.

If you hold shares of Harte Hanks Common Stock in “street name” through a bank, broker, trustee or other nominee, you should follow the election instructions provided by that intermediary. Your intermediary may establish an earlier deadline for receiving your election instructions so that it has sufficient time to submit an election on your behalf by the Election Date.

A vote in favor of the Harte Hanks Merger Proposal does not constitute an election as to the form of Merger Consideration you wish to receive. You must separately submit a valid election in accordance with the election materials if you wish to elect Cash Consideration, Preferred Stock Consideration or a combination of both.

For additional information, see “Election Procedures” beginning on page 100.

Q: What will happen if I do not make a valid election by the Election Date?

A: If you do not make a valid election by the Election Date, or if your election is revoked, lost or otherwise deemed invalid, your shares will be treated as non-electing shares. You will not have the right to determine the form of Merger Consideration paid for non-electing shares.

If valid cash elections would require payment of less than the Maximum Cash Amount, Star will determine whether non-electing shares receive Cash Consideration, Preferred Stock Consideration or a combination of both, subject to the Maximum Cash Amount. If valid cash elections would require payment of more than the Maximum Cash Amount, non-electing shares will receive Preferred Stock Consideration.

Accordingly, the form of Merger Consideration you receive may not reflect your liquidity needs, investment objectives or tax preferences if you do not make a valid election by the Election Date.

Q: May I change or revoke my election regarding the form of Merger Consideration?

A: Yes. You may change or revoke your election, in whole or in part, by delivering a properly completed written notice or revised election form to the payment agent before 5:00 p.m., Eastern Time, on the Election Date, in accordance with the instructions contained in the election materials.

After the Election Date, you may not change or revoke your election. All elections will be automatically revoked if the Merger Agreement is terminated. Shares subject to a revoked, lost, untimely or otherwise invalid election will be treated as non-electing shares.

Q: Is my election regarding the form of Merger Consideration the same as my vote on the Harte Hanks Merger Proposal?

A: No. Your vote on the Harte Hanks Merger Proposal and your election regarding the form of Merger Consideration are separate.

Your proxy card or voting instruction form allows you to vote “FOR,” “AGAINST” or “ABSTAIN” on the Harte Hanks Merger Proposal. Your election form allows you to indicate whether you prefer to receive Cash Consideration, Preferred Stock Consideration or a combination of both for your shares, subject to the Maximum Cash Amount and the proration procedures in the Merger Agreement.

Submitting an election form will not constitute a vote on the Harte Hanks Merger Proposal, and submitting a proxy or voting instruction form will not constitute an election as to the form of Merger Consideration. You should complete and return each applicable form in accordance with its separate instructions and deadline.

Q: What are the material terms of the Star Preferred Stock that I may receive in the Merger?

A: Each share of Star Preferred Stock has a liquidation preference of \$10.00 per share and is entitled to cumulative cash dividends at an annual rate of 10% of the liquidation preference, equivalent to \$1.00 per share annually, when and as authorized by the Star board of directors and declared by Star out of funds legally available for payment. Dividends are payable quarterly in arrears, subject to the terms of the Certificate of Designations.

The Star Preferred Stock is perpetual, has no stated maturity date, is not subject to a mandatory redemption right or sinking fund and is not convertible into or exchangeable for Star Common Stock. Holders generally do not have voting rights, except for limited voting rights relating to specified amendments that materially and adversely affect the Star Preferred Stock and the right, together with holders of applicable parity preferred stock, to elect two additional directors if dividends are in arrears for six or more consecutive quarterly dividend periods.

The Star Preferred Stock ranks senior to Star Common Stock with respect to dividend and liquidation rights, on parity with equity securities expressly designated as parity securities, and junior to all of Star’s existing and future indebtedness and any equity securities expressly designated as senior securities.

The Star Preferred Stock is currently traded on the Nasdaq Global Select Market under the symbol “STRRP.” For additional information, see “Description of Star 10% Series A Cumulative Perpetual Preferred Stock” beginning on page 128.

Q: Will I receive fractional shares of Star Preferred Stock in the Merger?

A: No. Star will not issue fractional shares of Star Preferred Stock in the Merger. Instead, a holder otherwise entitled to receive a fractional share will receive cash, without interest, equal to the fractional share multiplied by \$10.00.

Cash paid in lieu of fractional shares is included in determining whether the Maximum Cash Amount has been reached. The receipt of cash in lieu of a fractional share generally may have U.S. federal income tax consequences. You should consult your tax advisor regarding the tax consequences applicable to your particular circumstances.

Q: What should I do if I receive more than one set of voting materials for the Harte Hanks Special Meeting?

A: If you are a beneficial owner and hold shares of Harte Hanks Common Stock in “street name” and also are a record holder and hold shares directly in your name or otherwise or if you hold shares of Harte Hanks Common Stock in more than one (1) brokerage account, you may receive more than one (1) set of voting materials relating to the Harte Hanks Special Meeting.

Record Holders. For shares held directly, please complete, sign, date and return each proxy card, or follow the instructions on the proxy card or otherwise follow the voting instructions provided in this proxy statement/prospectus in order to ensure that all of your shares of Harte Hanks Common Stock are voted.

Beneficial Owners. For shares held in “street name” through a bank, broker, trustee or other nominee, you should follow the procedures provided by your bank, broker, trustee or other nominee in order to vote your shares.

Q: Where can I find more information about Star and Harte Hanks?

A: You can find more information about Star and Harte Hanks from the various sources described under “Where You Can Find More Information” beginning on page 135.

SUMMARY

This summary highlights selected information in this proxy statement/prospectus and may not contain all of the information that is important to you. You should carefully read this entire proxy statement/prospectus and the other documents we refer you to for a more complete understanding of the matters being considered at the Harte Hanks Special Meeting. In addition, we incorporate by reference important business and financial information about Star into this proxy statement/prospectus. You may obtain the information incorporated by reference into or otherwise included with this proxy statement/prospectus without charge by following the instructions in the section entitled “Where You Can Find More Information” beginning on page 135 of this proxy statement/prospectus.

Information about the Companies (page 56)

Star Equity Holdings, Inc.

Star Equity Holdings, Inc. is a multi-industry diversified holding company with four segments: Building Solutions, Business Services, Energy Services, and Investments. Star’s Common Stock and Preferred Stock are listed on the Nasdaq Global Select Market exchange as “STRR” and “STRRP,” respectively.

Star’s Building Solutions segment is currently made up of the following operating businesses: KBS Builders, Inc. (“**KBS**”); EdgeBuilder, Inc. (“**EdgeBuilder**”), and Glenbrook Building Supply, Inc. (“**Glenbrook**”), with the latter two managed together and referred to jointly as “**EBGL**,” and Timber Technologies Solutions, Inc. (“**TT**”). KBS is based in Maine and manufactures modular buildings, typically in the single and multi-family residential segments, servicing principally the New England market. EBGL is based in the Minneapolis-Saint Paul area and principally serves the Upper Midwest region. EBGL manufactures and delivers structural wall panels for single and multi-family residential buildings, and other engineered wood-based products. EBGL also distributes building materials from two lumberyard locations primarily focused on professional builder customers. TT is based outside the Minneapolis-St. Paul area and manufactures glue-laminated timber products for various end markets and applications, including agriculture, industrial, infrastructure, and building construction (commercial and residential).

Star’s Business Services segment, which consists of Hudson Talent Solutions, LLC (“**HTS**”), delivers customized recruitment and contracting solutions to mid-to-large multinational companies, including Recruitment Process Outsourcing (“**RPO**”), project-based RPO, contingent workforce solutions, recruitment consulting, outsourced professional contract staffing, and managed service provider (“**MSP**”) services across eighteen countries across three geographic regions: the Americas, Asia Pacific, and Europe, Middle East, and Africa. Star Equity’s RPO delivery teams utilize recruitment process methodologies and project management expertise to meet clients’ ongoing business needs. Star Equity’s RPO services include complete recruitment outsourcing, project-based outsourcing, contingent workforce solutions, and recruitment consulting for clients’ permanent staff hires. RPO services leverage Star Equity’s consultants, supported by Star Equity’s specialists, in the delivery of its proprietary methods to identify, select, and engage the best-fit talent for critical client roles. In addition, Star Equity provides RPO clients with a range of outsourced professional contract staffing services and managed service provider services offered sometimes on a standalone basis and sometimes as part of a blended total talent solution. These services draw upon a combination of specialized recruiting and project management competencies to deliver a wide range of solutions. HTS RPO-employed professionals - either individually or as a team - are placed with client organizations for a defined period of time based on specific business needs of the client.

Star’s Energy Services segment currently consists of Alliance Drilling Tools, Inc. (“**ADT**”), a Wyoming and Texas based provider of drilling tools and services to the Energy industry, a key sector of the economy. ADT is a full-service downhole drilling tool company which provides sale and rental tools in the Oil & Gas, Geothermal, Mining, and Waterwells sectors. ADT is strategically located near premier oilfields in the Rockies, a geothermal and mining hub, and in Midland, TX within the Permian Basin. ADT’s business model allows for the majority of costs, such as freight, repairs, and damages, to be passed directly to customers.

Star’s Investments segment holds and manages certain of its own corporate-owned real estate, including a manufacturing facility in Maine that is leased to KBS and a manufacturing facility in Wisconsin that is leased to TT. In addition, the Investments segment manages internally funded, concentrated minority investments in a small number of public companies. It also holds and manages a promissory note and a private equity stake in Catalyst MedTech LLC, a provider of medical imaging equipment and services (“**Catalyst**”). These interests were acquired in May 2023 as a result of the sale of Digirad Health.

As of June 30, 2026, Star had total consolidated assets of approximately \$108.2 million, total liabilities of approximately \$48.4 million and total consolidated stockholders’ equity of approximately \$59.8 million.

Star’s principal executive offices are located at 53 Forest Avenue, Suite 101, Old Greenwich, CT 06870, its phone number is (203) 489-9500 and its website is <https://www.starequity.com/>. Additional information about Star and its subsidiaries is included in the documents contained or incorporated by reference in this proxy statement/prospectus.

Merger Sub

Merger Sub, a direct, wholly owned subsidiary of Star, is a Delaware corporation that was incorporated for the sole purpose of effecting the Merger. In the Merger, Merger Sub will merge with and into Harte Hanks, with Harte Hanks surviving as a direct, wholly owned subsidiary of Star and the separate corporate existence of Merger Sub will cease.

Merger Sub’s principal administrative office is located at 53 Forest Avenue, Suite 101, Old Greenwich, CT 06870 and its phone number is (203) 489-9500.

Harte Hanks, Inc.

Harte Hanks, Inc., together with its subsidiaries (“**Harte Hanks**”) is a global Business Experience Outsourcing company. Harte Hanks operates at the intersection of data, marketing, sales, customer care, fulfillment, and logistics integrating front office revenue growth and customer experience operations with back office execution to deliver measurable business outcomes. With offices in North America, Asia-Pacific and Europe, Harte Hanks serves leading global brands enabling them to design, activate and optimize the full customer and product lifecycle.

Harte Hanks is a leading customer and brand experience company operating in six service categories - data, marketing, sales, customer care, fulfillment and logistics. In and across these service categories, Harte Hanks addresses today’s biggest growth and customer experience challenges for B2B and B2C businesses across the world in the new era of intelligence and artificial intelligence (“**AI**”), by being a modern journey enabler. These challenges Harte Hanks solves include:

- Grappling with data, AI and technology in a cookie-restricted digital environment;
- Growing awareness, demand and sales for products;
- Storing, fulfilling and delivering samples, kits, materials and products direct to the door of consumers, influencers or businesses;
- Delivering better customer experience and support across multiple channels; and
- Delivering effectively with tighter budgets and talent shortages.

Harte Hanks’ clients need help enabling their journey to growth, to transformation, to customer centricity, to product success and to AI powered approaches and solutions to marketing, sales, fulfillment and customer care. At the core of how Harte Hanks addresses this is a concentration on its clients’ key audiences - prospects, customers, patients, members, partners, employees and influencers - and how Harte Hanks helps align its clients’ brands and products to these different audiences along journeys. This includes the product journey, e.g., product innovation, build, strategy, launch, sell, deliver, support and recall and the customer journey, e.g., how customers become aware of their needs, how they buy, making the purchase, using the product or service, advocacy and renewal. Harte Hanks is focused on helping its clients better understand, engage, acquire, deliver to, service, support and retain these audiences. Harte Hanks starts by understanding and architecting the journey in focus, and then enables, delivers and manages some or all aspects along this journey. Harte Hanks’ alignment of customers and products on behalf of brands along the entire lifecycle distinguishes it from most other agencies and competitors in its service categories.

Harte Hanks offers a uniquely diverse range of services and solutions in and across its service categories to businesses in the following industries:

- B2B Technology & Services including cloud, SaaS, hardware, software, semiconductors, health technology, fintech, electronics, distributors and telecommunications
- Healthcare, Pharmaceuticals & Health Insurance
- Consumer Products including health, well-being and beauty; consumer tech/electronics; domestic appliances
- Travel, Hospitality, Streaming & Entertainment
- QSRs (Quick Service Restaurants)
- Financial Services and Fintech
- Automotive
- Retail

Harte Hanks works in partnership with its clients to provide them with: data-driven analytics and actionable insights from research; robust customer-experience (“CX”), marketing or sales strategies; and the data, content & technology to enable delivery. Harte Hanks then combines these insights with seamless program execution, fulfillment, service and delivery on a project or ongoing service basis to meet its clients’ goals. In essence Harte Hanks offers services along the customer & product lifecycle - from Data to Demand, to Deal, to Delivery, and everything in between.

Operationally, starting in 2024, Harte Hanks’ services are organized into three business units that span the end to end customer and product lifecycles:

- Data, marketing, demand generation and managed marketing services (“**Revenue Solutions**”)
- Customer Care
- Fulfillment & Logistics

Data, Marketing, Demand Generation and Managed Marketing Services (Revenue Solutions)

Harte Hanks helps its clients determine, detect and activate their audiences through traditional, digital, and emerging channels. Harte Hanks provides full service multi-channel marketing from strategy to campaign execution. This includes the support of its customers’ sales teams in their continued pursuit of excellence, delivering specialized outsourcing, optimization, lead nurturing and messaging development services to global and national partners. Harte Hanks leverages data, insights, technology, and award-winning creative solutions to meet and exceed its clients’ business objectives and optimize its clients’ return on investment.

Harte Hanks’ key offerings under this business unit include:

- *Data & Analytics* – In-depth data and analytics including audience identification, profiling, segmentation and prioritization, predictive modeling and data strategy. Harte Hanks provides data hygiene and cleansing to ensure the best possible results. Harte Hanks accesses broad first-party and third-party data sources, search and social media, and research through syndicated, primary and secondary sources, and Harte Hanks leverages its proprietary DataView tool, a comprehensive, aggregate data mart for B2C (USA) and B2B (Global) that provides a 360-degree customer view, with over 1,500 attributes enabling accurate predictive marketing to its clients. Harte Hanks also offers a unique intent data solution called Audience Finder for detecting in-market prospects.
- *Research & Intelligence* – Primary and secondary research to help its clients understand their customers, category, competitors and capabilities, either as a standalone deliverable or to inform the development of strategies for campaigns and programs.
- *Strategy* – Provide strategic guidance to help clients efficiently and effectively plan and execute omnichannel marketing, demand generation and customer experience programs that deliver business results. Harte Hanks leverages data and insights to enhance its clients’ understanding of their consumers, competitors and category dynamics, then applies those insights to develop the strategies to fuel activities such as customer acquisition, engagement, purchase behavior, loyalty and advocacy. Harte Hanks’ expertise spans the range of strategies including targeting, Go-To-Market, commercial, product launch, customer experience, campaign, content, ABM (Account Based Marketing) and demand strategy.
- *Creative & Content* - Full-service creative and content design, development and execution spanning traditional and digital channels, including creative concepts, messaging and content assets for print, broadcast, direct mail, website, app, display, social, mobile, search engine marketing, and voice.
- *Marketing Technology* – Website and app development, e-commerce development and enablement, database building and management, platform architecture creation, and marketing automation to serve as the foundation for digital and multi-channel marketing execution.
- *Digital and Multi-channel Marketing Execution & Advertising* – Orchestration and execution of programs and campaigns across multiple channels, territories and audiences, using data, strategies, content and Marketing technology, or “MarTech,” provided either by Harte Hanks or by its clients. Setup and management of digital advertising programs and campaigns across the latest advertising channels (e.g., Google, Meta, LinkedIn, TikTok) and platforms (DSPs, ABM advertising, industry networks).
- *Demand Generation and ABM* – Providing intelligence-based B2B solutions that understand audiences and their behaviors, and then inspire and drive action to deliver results. These solutions help companies understand which accounts, sectors and persons to target, and then generate marketing qualified leads (“**MQLs**”) and pipelines for their marketing and sales team, through combining data, strategy, content, MarTech and digital/multi-channel execution.
- *Managed Marketing Services* – Also referred to as “Marketing as a Service”. A flexible outsourcing marketing operations solution, that works as a highly integrated extension of a client’s own marketing function by blending the best of agency and business outsourcing processes and capabilities. Marketing as a Service operationalizes, manages and delivers some or all of: data operations, marketing technology, analytics, demand generation, and staff augmentation.
- *Inside Sales Outsourcing* – Combining best-in-class analytics, accomplished sales professionals and full-cycle experimentation Harte Hanks provides B2B enterprises, and Small to Midsized Businesses with a fully outsourced sales service, that can work alongside or in lieu of an internal sales function.

- *Lead Generation* – Combining data, lead generation resources and technology, Harte Hanks provides turnkey lead generation and development that converts interested or good fit prospects into leads for sales to qualify, nurture and sell to.

- *Sales Play Development* – Designing sales plays and cadences to enable sales teams to find, plan, engage, nurture and convert prospects into sales opportunities.

Customer Care

Harte Hanks’ customer care services are customized to meet the needs of its partners’ customer, helping them attract new buyers and turn existing patrons into loyal brand advocates. Harte Hanks supports its clients by addressing their end customers’ urgent needs, navigating an increasingly-complex technology landscape, and integrating AI technology and automation — while maintaining a fierce devotion to reducing customer effort, for the benefit of both the business and the buyer. This approach to “effortless customer experience” not only drives better service results but is also designed to lower its clients’ operational costs.

Harte Hanks’ global, omnichannel delivery model is focused on providing its clients three key services:

- *Customer Service Outsourcing* – Harte Hanks’ accomplished customer care associates interact and resolve consumer queries and complaints across hardware and software platforms, healthcare benefit plans, product recalls and/or a myriad of other customer service issues. Harte Hanks leverages technology to help reduce customer effort while providing a human touch to increase customer satisfaction.

- *Customer Care Technology and AI Transformation* – Harte Hanks’ solution services teams configures various CRM solutions (e.g., Salesforce, Zendesk) and channel /AI technology including Amazon Connect to create meaningful customer interactions by connecting content between agent, AI-driven interfaces and web-based self-help tools and community forums.

- *Self-Service Technology* – Harte Hanks provides and maintains self-service solutions through Interactive Voice Response (“IVR”), Help Centers, online, and via apps and channel technology.

Harte Hanks also analyzes a significant amount of aggregated data obtained from customer interactions on behalf of its clients. Harte Hanks leverages information gained from this analysis and end customer-driven feedback to drive efficiencies, provide insights on predictive behaviors that lead to lower customer churn and help its clients innovate their core product offerings and develop innovative product features.

Fulfillment & Logistics Services

Harte Hanks’ fulfillment and logistics services are designed to meet the diverse and dynamic needs of businesses across industries, ensuring that products, promotional materials, and essential items are delivered efficiently, accurately, and on time. Harte Hanks fulfillment unlocks critical sales enablement, value-added product fulfillment, and eCommerce channels for its clients. Harte Hanks logistics supports the supply chain needs of its clients in everything from time-sensitive deliveries to full scale supply chain management. By leveraging its modern infrastructure, advanced technology, and industry expertise, Harte Hanks helps its clients streamline their operations, enhance customer experience, and optimize cost efficiencies. Harte Hanks supports enterprise-level supply chain management, executes precise time-sensitive deliveries, and enables eCommerce scalability.

End to End Product, Print-On-Demand, and Mail Fulfillment Services

Harte Hanks’ extensive fulfillment capabilities include:

- *Print-On-Demand & Literature Distribution* – Harte Hanks facilitates the seamless production and distribution of marketing materials, sales collateral, and product literature, ensuring businesses can effectively engage with customers, prospects, and partners.

- *Promotional & Branded Product Distribution* – Harte Hanks manages and distributes promotional products, trade show materials, and corporate gifts to enhance brand awareness and customer engagement.

- *Custom Kitting & Event Fulfillment* – Harte Hanks’ curated kitting solutions support corporate events, influencer marketing programs, employee appreciation campaigns, and conference giveaways, ensuring that clients can create impactful brand experiences.

- *Product Recall Management* – Harte Hanks assists in efficient product recalls, ensuring regulatory compliance, customer safety, and brand reputation protection.

- *Temperature-Controlled & FDA-Registered Fulfillment Centers* – Harte Hanks has strategically located fulfillment centers across the United States, that provide temperature-controlled storage and are FDA-registered to handle sensitive products such as:

- Nutritional supplements, medical foods, and baby formulas
- Chocolates, coffee, tea, snack foods, nuts, and seeds
- Pet food, treats, and nutritional supplements

- *Scalable Global Fulfillment* – Harte Hanks’ fulfillment network spans the U.S., with capabilities in Europe and additional support from regional logistics partners that ensure efficient international product distribution.

Through its upgraded order management platform, Harte Hanks can now streamline order processing, facilitate seamless integration with various data sources and eCommerce platforms, and ensure real-time visibility into inventory and shipment status.

Third-Party Logistics & Freight Optimization

Harte Hanks logistics services help businesses achieve supply chain excellence by ensuring efficient transportation, freight optimization, and timely product delivery. Harte Hanks’ logistics expertise enables businesses to reduce costs, improve delivery speed, and optimize their supply chain operations—whether managing individual shipments or full-scale supply chain management. Harte Hanks’ comprehensive logistics solutions include:

- *Nationwide & Regional Shipping* – Harte Hanks facilitates the shipping of millions of time-sensitive materials annually, leveraging its nationwide logistics network.

- *Certified Fleet & Expedited Shipping* – With access to a contracted fleet of over 15,000 trucks, Harte Hanks provides clients with scalable third-party logistics (3PL) services tailored to their needs.

- *Allink®360: Proprietary Logistics Technology* – Harte Hanks’ proprietary rate-shopping system, Allink 360, optimizes freight costs and delivery timelines, ensuring shipments arrive on time and within budget.

- *Flexible & Scalable Logistics Solutions* – Harte Hanks offers customized logistics solutions designed to accommodate businesses of all sizes, from startups to Fortune 500 enterprises.

Client Relationship

Harte Hanks is known for helping clients build deep customer relationships, create connected customer experiences, and optimize each and every customer touch point in order to deliver desired business outcomes. Realizing Harte Hanks’ clients’ success is the only valid measure of Harte Hanks’ own success. Harte Hanks ensures all its efforts are aligned with its clients’ business objectives and measured against defined performance metrics. It is this commitment to its clients and their businesses that allows Harte Hanks to build meaningful relationships with them. Harte Hanks’ client engagements may consist of one or a few of Harte Hanks’ service offerings – with a goal toward continuously expanding its relationships. Harte Hanks provides cross-service client management along with continuous business reviews to ensure its clients receive value from our partnerships.

Use of Subcontractors

Certain segments of Harte Hanks' business rely on subcontractors and other third parties to provide a portion of Harte Hanks' overall services in certain engagements. Over the years Harte Hanks has established strong relationships with subcontractors that translate into high level service and favorable prices for its customers.

Restructuring Activities

Harte Hanks' management team continuously reviews and adjusts its cost structure and operating footprint to optimize its operations, and invest in improved technology. The program named "Project Elevate" involved the optimization and rationalization of its business resources as well as the partial reinvestment of savings into Harte Hanks' sales and marketing team, technology, and strategy. Reorganization cost reductions from Project Elevate during 2024 through 2025 were estimated to be \$16.0 million. In connection with its cost-saving and restructuring initiatives, Harte Hanks incurred total restructuring charges of \$1.8 million and \$2.4 million in 2025 and 2024, respectively. This program has resulted in ongoing cost optimization and rationalization initiatives across the organization.

Customers

Harte Hanks' clients include large multinational enterprises, small and medium-sized businesses and government organizations. Harte Hanks' largest client in terms of revenue generated 10.5% of total revenues in 2025. Harte Hanks' largest 25 clients in terms of revenue generated 68.3% of total revenue in 2025. Harte Hanks' clients span a wide range of industries including but not limited to retail, travel, streaming, healthcare, financial services, and technology, which reduced the concentration risk of Harte Hanks in any one sector. Harte Hanks generally enters into long-term contracts with its clients ranging in duration from one to three years. Most of its contracts do not require its customers to purchase a minimum amount of services from Harte Hanks. In general, Harte Hanks' contracts with our customers are terminable on short notice with little or no penalty payable on termination.

Sales and Marketing

Harte Hanks operates a modern sales and marketing growth engine to generate awareness, create demand and convert this demand into new business, as well as support existing client growth and retention. As a B2B services company Harte Hanks practices the marketing and sales methodology and tactics it offers to its clients, including ABM, demand generation, content marketing, inside sales and enterprise sales. Harte Hanks also leverages partnerships to extend its reach and broaden its solutions.

For marketing, Harte Hanks leverages a combination of corporate marketing resources, marketing services resources and a modern MarTech stack including CRM, content management, SEO/digital advertising tools to support targeting, account-based marketing, demand creation and awareness.

For sales, Harte Hanks relies on its enterprise and solution sellers, combined with an internal sales team, to sell its products and services to new clients and task its employees supporting existing clients to expand its client relationship through additional solutions and products. Harte Hanks has expanded its sales team coverage internationally to support its global client and prospect network. Its sales force sells a variety of solutions and services to address its clients' cross-selling targeted marketing needs. Harte Hanks also maintains solution-specific experts in its sales force and sales groups to sell it individual products and solutions, with expertise by target industries including B2B, Health and B2C.

Harte Hanks had 12 employees in our corporate sales and marketing function as of December 31, 2025.

Competition

Harte Hanks' competition comes from local, national, and international marketing, advertising, customer care, print fulfillment, smaller 3PL, logistics companies, and internal client resources, against whom it competes for individual projects, entire client relationships, and marketing expenditures. The principal competitive factors in Harte Hanks' industry are the breadth, depth and quality of service offerings, technical and strategic expertise, the perceived value of the services provided, reputation, pricing, and brand recognition. Harte Hanks also competes against social, mobile, web-based, email, print, broadcast, and other forms of advertising for marketing and advertising dollars in general.

Furthermore, competition may begin to emerge as a result of the availability of in-house information technology solutions that can replicate some of Harte Hanks' services. Harte Hanks expects its clients to continue to improve their information technology systems and offerings and, in some circumstances, move the services Harte Hanks provides in-house.

Seasonality

Some of Harte Hanks' revenue streams tend to be higher in the fourth quarter than in other quarters during a given year. This increased revenue is a result of overall increased activity prior to the holiday season in the retail vertical, and due to the open enrollment period in the healthcare vertical.

As of June 30, 2026, Harte Hanks had total consolidated assets of approximately \$88.1 million, total liabilities of approximately \$72.7 million and total consolidated stockholders' equity of approximately \$15.4 million.

Harte Hanks' principal executive offices are located at 1 Executive Drive, Chelmsford, MA 01824, its phone number is (512) 434-1100 and its website is <https://www.hartehanks.com>.

The Merger and the Merger Agreement (pages 67 and 98)

The terms and conditions of the Merger are contained in the Merger Agreement, a copy of which is attached as **Annex A** to this proxy statement/prospectus. You are encouraged to read the Merger Agreement carefully and in its entirety, as it is the primary legal document that governs the Merger.

Pursuant to the terms and subject to the conditions set forth in the Merger Agreement, at the Effective Time of the Merger, Merger Sub will merge with and into Harte Hanks, with Harte Hanks surviving such Merger as a wholly owned subsidiary of Star, and Merger Sub will cease to exist.

This summary and the copy of the Merger Agreement attached to this document as **Annex A** are included solely to provide investors with information regarding the terms of the Merger Agreement. They are not intended to provide factual information about the parties or any of their respective subsidiaries or affiliates.

Merger Consideration (page 99)

Upon the terms and subject to the conditions of the Merger Agreement, at the Effective Time, each share of Harte Hanks Common Stock issued and outstanding immediately prior to the Effective Time, other than shares owned by Harte Hanks, Star, Merger Sub or any of their respective wholly owned subsidiaries, will be converted into the right to receive, at the election of the holder thereof and subject to the election and proration procedures described below, either (i) the Cash Consideration, or (ii) the Preferred Stock Consideration.

Harte Hanks stockholders may elect to receive Cash Consideration, Preferred Stock Consideration or a combination of both for their shares of Harte Hanks Common Stock, including by electing Cash Consideration for some shares and Preferred Stock Consideration for others. However, the aggregate amount of cash payable in the Merger is subject to an overall cap. Specifically, the aggregate amount of cash payable in the Merger, together with cash paid with respect to certain Harte Hanks equity awards and cash paid in lieu of fractional shares of Star Preferred Stock, may not exceed the Maximum Cash Amount. Accordingly, the form of consideration ultimately received by a stockholder may differ from that stockholder's election as a result of the proration provisions contained in the Merger Agreement.

If the aggregate amount of cash that would otherwise be payable to all stockholders making valid cash elections is less than or equal to the Maximum Cash Amount, each stockholder making a valid cash election will receive the full Cash Consideration for all shares subject to that election, and each stockholder making a valid preferred stock election will receive the Preferred Stock Consideration for all shares subject to that election. Shares for which no valid election is made will receive the Cash Consideration, the Preferred Stock Consideration or a combination of both, as determined by Star, provided that the Maximum Cash Amount is not exceeded.

If the aggregate amount of cash that would otherwise be payable to all stockholders making valid cash elections exceeds the Maximum Cash Amount, all shares subject to preferred stock elections and all non-electing shares will receive the Preferred Stock Consideration. Shares subject to cash elections will receive cash and preferred stock on a prorated basis, such that the aggregate cash paid in the Merger does not exceed the Maximum Cash Amount. In that circumstance, each cash-electing stockholder will receive a proportionate share of the available cash, with the balance of the Merger Consideration payable in shares of Star Preferred Stock pursuant to the allocation procedures set forth in the Merger Agreement.

Because the Merger Consideration consists of a fixed cash amount and a fixed number of shares of Star Preferred Stock, the Merger Agreement does not provide for a floating exchange ratio based on the trading price of Star common stock. The amount of consideration payable for each share of Harte Hanks Common Stock is fixed at \$5.00 in cash or 0.50 shares of Star Preferred Stock, as applicable, subject only to the election and proration procedures described above.

The market value of any portion of the Merger Consideration payable in Star Preferred Stock will fluctuate based on the market price of Star Preferred Stock, which is currently traded on the Nasdaq Global Select Market under the symbol “STRRP.” As a result, the value of the stock portion of the Merger Consideration, if any, that a Harte Hanks stockholder ultimately receives will depend on the market price of Star Preferred Stock at the time the Merger is completed and the form of consideration ultimately received by such stockholder pursuant to the election and proration procedures described in the Merger Agreement.

No fractional shares of Star Preferred Stock will be issued in the Merger. Instead, any holder who would otherwise be entitled to receive a fractional share of Star Preferred Stock will receive cash, without interest, equal to the applicable fractional share multiplied by \$10.00.

The Merger Consideration is also subject to appropriate adjustment to reflect the effect of any stock split, reverse stock split, stock dividend, recapitalization, reclassification, combination, exchange of shares or similar transaction affecting Harte Hanks Common Stock occurring between the date of the Merger Agreement and the Effective Time.

For more information, see the section entitled “Terms of the Merger” beginning on page 67 and “Merger Consideration” beginning on page 99.

Treatment of Harte Hanks Equity Awards (page 101)

The Merger Agreement provides for the treatment of Harte Hanks equity awards outstanding immediately prior to the Effective Time, including stock options, restricted stock units (“RSUs”) and performance stock units (“PSUs”). At the Effective Time, such awards will be cancelled and converted into the rights described below.

• *Stock Options.* At the Effective Time, each Harte Hanks stock option identified on the disclosure schedules to the Merger Agreement that is outstanding and unexercised immediately prior to the Effective Time will automatically be cancelled and converted into the right to receive Merger Consideration based on the in-the-money value of such option. Specifically, each eligible option holder will be entitled to receive consideration equal to the product of (i) the excess, if any, of the applicable Merger Consideration over the exercise price per share of such option and (ii) the number of shares subject to such option immediately prior to the Effective Time. Holders of eligible options will be permitted to elect to receive Cash Consideration, Preferred Stock Consideration or a combination of both, subject to the same election procedures, proration provisions and Maximum Cash Amount limitations applicable to holders of Harte Hanks Common Stock. Any option with an exercise price equal to or greater than the applicable Merger Consideration, and any option not specifically identified on the disclosure schedules to the Merger Agreement, will be cancelled at the Effective Time without payment of any consideration. All payments will be subject to applicable withholding taxes.

• *Restricted Stock Units.* At the Effective Time, each RSU identified on the disclosure schedules to the Merger Agreement that remains outstanding immediately prior to the Effective Time will be cancelled and converted into the right to receive Merger Consideration with respect to each share of Harte Hanks Common Stock underlying such RSU. RSU holders will be entitled to elect to receive Cash Consideration, Preferred Stock Consideration or a combination of both, subject to the same election, proration and Maximum Cash Amount provisions applicable to Harte Hanks stockholders. Any resulting payments will be subject to applicable tax withholding.

• *Performance Stock Units.* At the Effective Time, each outstanding PSU will be cancelled and terminated without payment of any consideration. PSU holders will not receive cash, preferred stock or any other compensation in respect of such awards as a result of the Merger.

The treatment of equity awards is tied to the overall Merger Consideration structure. Accordingly, holders of eligible company Options and RSUs who elect Cash Consideration may have a portion of such consideration converted into shares of Star's Preferred Stock if cash elections exceed the Maximum Cash Amount and the proration provisions of the Merger Agreement are triggered. Likewise, if cash elections do not exceed the Maximum Cash Amount, cash elections generally will be honored in full, subject to the terms and conditions of the Merger Agreement.

For more information see "Treatment of Harte Hanks Equity Awards" beginning on page 101.

Material U.S. Federal Income Tax Consequences of the Merger (page 114)

The receipt of Star Preferred Stock and/or cash in exchange for Harte Hanks Common Stock pursuant to the Merger will be a taxable transaction for Harte Hanks stockholders for U.S. federal income tax purposes.

A U.S. holder will generally recognize taxable gain or loss with respect to the exchange of shares of Harte Hanks Common Stock for the Merger Consideration in the Merger equal to the difference, if any, between (i) the sum of the cash (including cash in lieu of any fractional share of Star Preferred Stock) and the fair market value of the Star Preferred Stock received in the Merger and (ii) the U.S. holder's adjusted tax basis in the Harte Hanks Common Stock surrendered in exchange therefor. Such gain or loss recognized will generally be taxable as capital gain or loss. A non-U.S. holder will generally not be subject to U.S. federal income tax with respect to the exchange of shares of Harte Hanks Common Stock for the Merger Consideration in the Merger unless such non-U.S. holder has certain connections to the United States as described in "Material U.S. Federal Income Tax Consequences of the Merger".

See "Material U.S. Federal Income Tax Consequences of the Merger" for a more complete discussion of the U.S. federal income tax consequences of the Merger. Each Harte Hanks stockholder is strongly urged to consult with and rely upon its own tax advisor as to the specific U.S. federal, state or local or non-U.S. tax consequences to such Harte Hanks stockholder of the Merger.

The discussion in this proxy statement/prospectus is a summary only and does not address all U.S. federal income tax consequences that may be relevant to a particular holder. In addition, holders may be subject to state, local, non-U.S. and other tax laws that are not discussed in this proxy statement/prospectus. Accordingly, holders are urged to consult their own tax advisors regarding the particular tax consequences of the Merger in light of their specific circumstances.

Harte Hanks’ Reasons for the Merger; Recommendation of Board of Directors of Harte Hanks (page 82)

The board of directors of Harte Hanks has (a) determined that the Merger Agreement and Merger were advisable and in the best interests of Harte Hanks and its stockholders, (b) approved the execution and delivery of the Merger Agreement, the performance of Harte Hanks’ obligations thereunder, and the consummation of the Merger, (c) directed that the Merger Agreement be submitted to Harte Hanks stockholders for adoption at a special meeting, (d) recommended that Harte Hanks stockholders vote in favor of adopting the Merger Agreement, (e) approved the form of Voting and Support Agreement and entry into such agreements by Harte Hanks’ directors and officers, (f) approved the form of the other transaction documents referenced in the Merger Agreement and the Company Disclosure Letter and the entry into such agreements by Harte Hanks, (g) approved the transaction bonuses to Harte Hanks’ management, including David Fisher and David A. Garrison, upon the consummation of the transaction, and (h) authorized Harte Hanks’ officers to execute and deliver the Merger Agreement, the Voting and Support Agreements, and all ancillary documents, and to take all actions necessary or advisable to consummate the transactions contemplated thereby. Accordingly, the board of directors of Harte Hanks recommends that Harte Hanks stockholders vote “FOR” the Harte Hanks Merger Proposal.

For a more detailed discussion of the board of directors of Harte Hanks’ recommendation, see “Harte Hanks’ Reasons for the Merger; Recommendation of Board of Directors of Harte Hanks” beginning on page 82.

Non-Binding Advisory Compensation Proposal (page 55)

Harte Hanks stockholders will also be asked to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Harte Hanks’ named executive officers in connection with the Merger, as disclosed under “Interests of Harte Hanks Directors and Executive Officers in the Merger,” including the Golden Parachute Compensation table and related narrative disclosures required pursuant to Item 402(t) of Regulation S-K. The vote is separate and apart from the Harte Hanks Merger Proposal, is advisory only and is not a condition to completion of the Merger. If the Merger is completed, the merger-related compensation may be paid in accordance with the applicable compensation agreements and arrangements even if stockholders vote against the proposal.

Vote Required: Approval of the Non-Binding Advisory Compensation Proposal requires the affirmative vote of a majority of the votes cast at the Special Meeting, provided a quorum is present.

Board Recommendation: The board of directors of Harte Hanks recommends that holders of Harte Hanks Common Stock vote “FOR” the Non-Binding Advisory Compensation Proposal.

Opinion of Harte Hanks’ Financial Advisor (page 86)

Citizens JMP Securities, LLC (“**Citizens**”) was retained by Harte Hanks to act as its financial advisor in connection with the Merger and, upon Harte Hanks’ request, to render its fairness opinion to the board of directors of Harte Hanks in connection therewith. Harte Hanks selected Citizens to act as its financial advisor based on Citizens’ qualifications, expertise and reputation, its knowledge of Harte Hanks’ industry and its knowledge and understanding of the business and affairs of Harte Hanks.

At a meeting of the board of directors of Harte Hanks on August 12, 2026, Citizens rendered its oral opinion, subsequently confirmed in its written opinion dated August 12, 2026, to the board of directors of Harte Hanks that, as of the date thereof and based upon and subject to, among other things, the assumptions made, procedures followed, matters considered, and qualifications and limitations on the review undertaken by Citizens in connection with the opinion (which are stated in its written opinion), the Merger Consideration to be received by the holders of Harte Hanks Common Stock (other than Owned Company Shares (as defined in the Merger Agreement)) in the Merger was fair to such holders from a financial point of view.

*The full text of Citizens’ written opinion delivered to the board of directors of Harte Hanks, dated August 12, 2026, is attached as **Annex B** to this proxy statement/prospectus and incorporated into this proxy statement/prospectus by reference in its entirety. Citizens’ written opinion has been provided by Citizens at the request of the board of directors of Harte Hanks and is subject to, among other things, the assumptions made, procedures followed, matters considered, and qualifications and limitations on the review undertaken by Citizens in connection with the opinion (which are stated therein). You are encouraged to read the opinion carefully in its entirety.*

Citizens provided its opinion to the board of directors of Harte Hanks, in its capacity as such, in connection with and for purposes of its evaluation of the Merger only and Citizens' opinion does not constitute a recommendation as to any action the board of directors of Harte Hanks should take with respect to the Merger or how any holder of Harte Hanks Common Stock should vote or act with respect to the Merger or any other matter.

The following is a summary of Citizens' opinion and the methodology that Citizens used to render its opinion. This summary of Citizens' opinion contained in this proxy statement is qualified in its entirety by reference to the full text of Citizens' written opinion.

In arriving at its opinion, Citizens, among other things:

- (i) reviewed certain publicly available financial statements and certain other business and financial information relating to Harte Hanks furnished to Citizens;
- (ii) reviewed certain internal financial statements and other financial and operating data concerning Harte Hanks prepared by the management of Harte Hanks;
- (iii) reviewed certain financial forecasts prepared by the management of Harte Hanks;
- (iv) compared the financial performance of Harte Hanks with that of certain other publicly-traded companies that Citizens believed were generally comparable to Harte Hanks;
- (v) reviewed the financial terms, to the extent publicly available, of certain acquisition transactions involving companies in lines of business that Citizens believed were generally comparable to Harte Hanks;
- (vi) participated in discussions with members of the senior management of Harte Hanks with respect to the business prospects and financial outlook of Harte Hanks;
- (vii) reviewed the Merger Agreement draft dated as of August 10, 2026 and certain related documents; and
- (viii) performed such other analysis and considered such other factors as Citizens deemed appropriate.

In conducting its review and arriving at its opinion, Citizens has assumed and relied, without independent verification, upon the accuracy and completeness of all information and data that was publicly available or furnished to or otherwise reviewed by or discussed with Citizens. Citizens has further relied upon the assurance of the management of Harte Hanks that they are not aware of any facts or circumstances that would make such information inaccurate or misleading. With respect to the financial forecasts of Harte Hanks, the management of Harte Hanks has advised Citizens, and Citizens has assumed, that they have been reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of Harte Hanks as to the future financial performance of Harte Hanks and other matters covered thereby. Citizens has not been engaged to assess the reasonableness or achievability of such forecasts or the assumptions on which they were based and express no view as to such forecasts or assumptions.

For purposes of rendering its opinion, Citizens has assumed that the representations and warranties of each party contained in the Merger Agreement are true and correct, that each party will perform all of the covenants and agreements required to be performed by it under the Merger Agreement and that all conditions to the consummation of the Merger will be satisfied without waiver thereof. Citizens has assumed that the final form of the Merger Agreement will not vary materially from the last draft Merger Agreement reviewed by Citizens and that the Merger will be consummated substantially on the terms described in such draft, without any amendment or waiver of material terms or conditions. Citizens has also assumed that all necessary governmental, regulatory and other consents and approvals contemplated by the Merger Agreement will be obtained and that in the course of obtaining those consents and approvals no costs or restrictions will be imposed or waivers made that would have an adverse effect on the contemplated benefits of the Merger.

In connection with rendering its opinion, Citizens performed certain financial, comparative and other analyses as summarized below. In arriving at its opinion, Citizens did not ascribe a specific range of values to the shares of Harte Hanks Common Stock but rather made its determination as to fairness, from a financial point of view, to the holders of shares of Harte Hanks Common Stock (other than Owned Company Shares) of the Merger Consideration to be received by such holders pursuant to the Merger Agreement on the basis of various financial and comparative analyses. The preparation of a fairness opinion is a complex process and involves various determinations as to the most appropriate and relevant methods of financial and comparative analyses and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to summary description.

In arriving at its opinion, Citizens did not attribute any particular weight to any single analysis or factor considered by it but rather made qualitative judgments as to the significance and relevance of each analysis and factor relative to all other analyses and factors performed and considered by it and in the context of the circumstances of the Merger. Accordingly, Citizens believes that its analyses must be considered as a whole, as considering any portion of such analyses and factors, without considering all analyses and factors as a whole, could create a misleading or incomplete view of the process underlying its opinion. The following is a summary of the material financial analyses used by Citizens in preparing its opinion to the board of directors of Harte Hanks. Certain financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses used by Citizens, the tables must be read together with the text of each summary, as the tables alone do not constitute a complete description of the financial analyses.

In performing its analyses, Citizens made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Harte Hanks, Star or any other parties to the Merger. None of Harte Hanks, Star, Citizens or any other person assumes responsibility if future results are materially different from those discussed. Any estimates contained in these analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than as set forth below. In addition, analyses relating to the value of businesses do not purport to be appraisals or reflect the prices at which the businesses may actually be sold.

Selected Public Companies Analysis

Citizens reviewed and compared specific financial, operating and public trading data relating to Harte Hanks with selected publicly traded companies that Citizens deemed comparable to Harte Hanks. Using publicly available financial data and closing stock prices as of August 7, 2026, Citizens calculated, among other things, total enterprise value (calculated as the equity value based on fully diluted shares outstanding, plus debt and less cash and cash equivalents) (“TEV”) as a multiple of estimated calendar year 2026 adjusted EBITDA (“EV/CY2026E EBITDA”) and estimated calendar year 2027 adjusted EBITDA (“EV/CY2027E EBITDA”). Estimated financial data of the selected companies were based on publicly available research analysts’ estimates. A summary of the selected companies and the relevant metrics is set forth below:

	EV/CY2026E EBITDA	EV/CY2027E EBITDA
YOC AG	5.3x	4.0x
Vianet Group	4.2x	4.1x
Microlise Group	3.4x	2.8x
Mean	4.3x	3.6x
Median	4.2x	4.0x

Citizens, based on its professional judgment, selected the comparable companies because Citizens believed their businesses and operating profiles are reasonably similar to that of Harte Hanks. However, because of the inherent differences between the businesses, operations and prospects of Harte Hanks and those of the comparable companies, Citizens believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the selected comparable company analysis. Accordingly, Citizens also made qualitative judgments concerning differences between the businesses, financial and operating characteristics and prospects of Harte Hanks and the comparable companies that could affect the public trading values of each in order to provide a context in which to consider the results of the quantitative analysis. After reviewing the above analyses, Citizens selected a representative range of multiples and applied these ranges to Harte Hanks' estimated adjusted EBITDA for calendar years 2026 and 2027 based on the forecasts to calculate a range of implied total enterprise values, from which Citizens subtracted Harte Hanks' estimated net debt to calculate a range of implied equity values, and divided the resulting amounts by the number of fully diluted shares of Harte Hanks Common Stock outstanding as provided by Harte Hanks management, to calculate a range of implied prices per share of Harte Hanks Common Stock. The following summarizes the results of these calculations:

	Multiples	Implied prices per share of Harte Hanks Common Stock
EV/CY2026E EBITDA:	3.8x - 4.7x	\$1.84 - \$2.70
EV/CY2027E EBITDA:	3.6x - 4.4x	\$1.77 - \$2.60

Selected Precedent Transactions Analysis

Citizens reviewed, to the extent publicly available, and analyzed the valuation and financial metrics relating to selected transactions involving target companies in lines of business that Citizens believed were generally comparable to Harte Hanks, including companies providing outsourced business services, customer experience management, business process outsourcing and logistics services. For each precedent transaction, Citizens reviewed the TEV of the target company in the transaction as a multiple of the target company's trailing twelve months adjusted EBITDA at the time of the announcement of the relevant transaction ("EV/TTM EBITDA"). Estimated financial data of the selected transactions were based on publicly available information at the time of announcement of the relevant transaction. A summary of the selected transactions and the relevant metrics is set forth below:

Year Announced	Target	Acquiror	EV/TTM EBITDA
2025	Burroughs	Loomis	6.5x
2023	CBW Resources	Super Group Holdings	4.2x
2022	HyperPointe	XpresSpa Group	5.4x
2020	Personiv	eClerx	4.7x
Mean			5.2x
Median			5.1x

Citizens, based on its professional judgment, selected the comparable transactions because Citizens believed their businesses and operating profiles are reasonably similar to that of Harte Hanks. However, because of the inherent differences between the businesses, operations and prospects of Harte Hanks and those of the companies involved in the selected transactions, Citizens believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the selected precedent transaction analysis. Accordingly, Citizens also made qualitative judgments concerning differences between the selected precedent transactions and the Merger that would affect the acquisition values of the selected target companies and Harte Hanks. After reviewing the above analyses, Citizens selected a representative range of EV/EBITDA multiples and applied this range to Harte Hanks' estimated adjusted EBITDA for calendar years 2026 and 2027 as provided by Harte Hanks' management to calculate a range of implied total enterprise values, from which Citizens subtracted Harte Hanks' estimated net debt, and divided the resulting amounts by the number of fully diluted shares of Harte Hanks Common Stock outstanding as provided by Harte Hanks management, to calculate a range of implied prices per share of Harte Hanks Common Stock. The following summarizes the results of these calculations:

	Multiples	Implied prices per share of Harte Hanks Common Stock
EV/CY2026E EBITDA:	4.6x - 5.6x	\$2.61 - \$3.64
EV/CY2027E EBITDA:	4.6x - 5.6x	\$2.81 - \$3.88

Discounted Cash Flow Analysis

In order to estimate the present value of Harte Hanks Common Stock, Citizens performed a discounted cash flow analysis of Harte Hanks. A discounted cash flow analysis is a traditional valuation methodology used to derive a valuation of an asset by calculating the “present value” of estimated future cash flows generated by the asset. “**Present value**” refers to the current value of future cash flows or amounts and is obtained by discounting those future cash flows or amounts by a discount rate that takes into account macroeconomic assumptions and estimates of risk, the opportunity cost of capital, expected returns and other appropriate factors.

To calculate the estimated enterprise value of Harte Hanks using the discounted cash flow method, Citizens added (a) Harte Hanks’ projected after-tax unlevered free cash flows for fiscal years 2026 through 2029 based on the forecasts, to (b) a range of “terminal values” of Harte Hanks, and discounted such amounts to their present value using a range of selected discount rates of 14.5% to 16.5%. The after-tax unlevered free cash flows were calculated by taking the tax-affected adjusted EBIT (defined as adjusted EBITDA less depreciation and amortization), adding depreciation and amortization, subtracting changes in net working capital, capital expenditures and severance costs. The residual value of Harte Hanks at the end of the projection period, or “terminal value,” was estimated by applying an exit EBITDA multiple range of 3.6x to 4.4x to Harte Hanks’ terminal year 2029 adjusted EBITDA of approximately \$12.2 million from the forecasts. The range of exit EBITA multiples of 3.6x to 4.4x was selected based on Citizens analysis of the selected companies and its’ professional judgement. The range of after-tax discount rates of 14.5% to 16.5% was selected based on Citizens’ analysis of the weighted average cost of capital of Harte Hanks, derived by application of the capital asset pricing model, taking into account, among other things, the risk-free rate based on the yield on ten-year U.S. Treasury securities, an equity risk premium, the relevered beta for Harte Hanks derived from the comparable public companies, and a size premium reflective of Harte Hanks’ market capitalization.

Citizens then calculated a range of implied values per share of Harte Hanks Common Stock by subtracting Harte Hanks’ estimated net debt from the estimated enterprise value derived using the discounted cash flow method and dividing such amount by the number of fully diluted shares of Harte Hanks Common Stock outstanding as provided by Harte Hanks management. The following summarizes the results of these calculations:

Implied prices per share of Harte Hanks Common Stock:

Discounted Cash Flow Analysis: \$3.57 – \$4.44

Star Preferred Stock Analysis

Citizens analyzed the Star Preferred Stock to be issued as Merger Consideration at various reference prices, including the current trading price of \$10.06, the liquidation preference of \$10.00, the 30-day VWAP of \$10.04, the 10-day VWAP of \$10.11, the 52 week high of \$10.92 and the 52 week low of \$8.75, calculating the implied value of the preferred stock consideration and the aggregate implied purchase price at each reference price, which ranged from \$4.69 to \$5.23.

Citizens is not a legal, tax or regulatory advisor and relied upon, without independent verification, the assessment of Harte Hanks and its legal, tax or regulatory advisors with respect to legal, tax or regulatory matters. Citizens is not in the business of appraising tangible assets and has not made any independent valuation or appraisal of any or all of the assets or liabilities (including any contingent, derivative or off-balance-sheet assets or liabilities) of Harte Hanks, nor has Citizens been furnished with any such valuations or appraisals. In addition, Citizens has not evaluated the solvency of any party to the Merger Agreement under any state or federal laws relating to bankruptcy, insolvency or similar matters. Citizens' opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Citizens as of, the date of the agreement. Events occurring after the date of the opinion may affect the opinion and the assumptions used in preparing it, and Citizens does not assume any obligation to update, revise or reaffirm the opinion.

Citizens was not requested to consider, and its opinion does not address, Harte Hanks' underlying business decision to enter into the Merger Agreement and pursue the Merger, or the relative merits of the Merger as compared to any alternative business strategies that might exist for Harte Hanks or the effect of any other transaction in which Harte Hanks might engage. Citizens is not requested to consider, and its opinion does not address, the non-financial terms of the Merger Agreement or the Merger, nor does it address the terms of any of the related agreements to be entered into by the parties. Its opinion addresses only the Merger Consideration to be received by the holders of Harte Hanks Common Stock (other than Owned Company Shares) in the Merger. Citizens was not requested to consider, and its opinion does not address, the fairness of any consideration to be received in the Merger by the holders of any other class or series of capital stock, creditors or other constituencies of Harte Hanks, the allocation of the Merger Consideration amongst the holders of any class or series of capital stock, creditors or other constituencies of Harte Hanks, the conversion ratio pursuant to the Merger Agreement for any class or series of capital stock or any election, proration or adjustment of the Merger Consideration. Citizens has assumed that the value of the Star Preferred Stock is the liquidation preference of \$10.00 per share, and Citizens expressed no opinion as to the price at which the Star Preferred Stock may be sold at in the future. Furthermore, Citizens expressed no opinion with respect to the amount or nature of any compensation to be received by any officers, directors or employees of any party to the Merger, or any class of such persons, relative to the Merger Consideration to be paid to the holders of Harte Hanks Common Stock in the Merger or otherwise, or with respect to the fairness of any such compensation.

Citizens, as part of its investment banking business, is customarily engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of securities, private placements and valuations for estate, corporate and other purposes.

Citizens has acted as financial advisor to Harte Hanks in connection with the Merger and will receive a fee for its services, a portion of which is payable for providing the opinion and a significant portion of which will become payable only if the Merger is consummated. In addition, Harte Hanks has agreed to indemnify Citizens against certain liabilities arising out of its engagement. Citizens has not otherwise had a material relationship with, nor otherwise received fees from, Harte Hanks or any other party to the Merger during the two years preceding the date of the opinion.

In the ordinary course of its trading, brokerage, investment management and financing activities, Citizens or its affiliates may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of customers, in debt or equity securities of other companies or any currency that may be involved in the Merger. In the future, Citizens may maintain other relationships with, and provide advisory and other services to Harte Hanks, Star and their respective affiliates, and may receive fees for providing such services.

The opinion was given at the request of, and was intended for the benefit and use of, the board of directors of Harte Hanks in connection with its consideration of the Merger, and it is not intended to be and does not constitute a recommendation to any stockholder of Harte Hanks as to how such stockholder should vote or act on any matter relating to the Merger.

For more information, see "Opinion of Harte Hanks' Financial Advisor," beginning on page 86, and **Annex B**.

Interests of Harte Hanks Directors and Executive Officers in the Merger (page 93)

Voting and Support Agreement

Immediately following the execution of the Merger Agreement, Star, Harte Hanks and each of John H. Griffin, Jr., Genevieve C. Combes, Bradley L. Radoff, Elizabeth Ross, David Fisher and David A. Garrison (each, a “**supporting stockholder**”) entered into a voting and support agreement (collectively, the “**Voting and Support Agreements**”). Each supporting stockholder entered into the applicable Voting and Support Agreement solely in his or her capacity as a Harte Hanks stockholder and not in his or her capacity as a director, officer or employee of Harte Hanks.

As of the Record Date, the supporting stockholders beneficially own, in the aggregate, [____] shares of Harte Hanks Common Stock, representing approximately [____]% of the outstanding shares of Harte Hanks Common Stock. The Voting and Support Agreements cover the shares of Harte Hanks Common Stock beneficially owned by each supporting stockholder when the applicable Voting and Support Agreement was entered into, together with any additional shares of Harte Hanks Common Stock or other voting equity securities that the supporting stockholder acquires, purchases or is issued after that date, including through a stock split, stock dividend, Merger, reorganization, recapitalization, equity-award exercise or settlement or similar event (collectively, the “**Owned Shares**”).

Amendments to Employment Agreements

In connection with the Merger, Harte Hanks amended the employment agreement with each of David Fisher, President of Harte Hanks, and David A. Garrison, Chief Financial Officer of Harte Hanks, conditional upon, and effective as of, the Closing. Each such amendment provides for a closing incentive bonus (\$200,000 for Mr. Fisher and \$150,000 for Mr. Garrison) and waives the requirement that the executive remain unemployed in order to receive the severance benefits provided under the employment agreement.

Acceleration of Equity Awards and Conversion in Merger Consideration

At the Effective Time, each RSU and stock option identified on the disclosure schedules to the Merger Agreement that remains outstanding immediately prior to the Effective Time (including each such RSU and stock option that is held by a director or executive officer of Harte Hanks) will be cancelled and converted into the right to receive Merger Consideration (a) in the case of an RSU, with respect to each share of Harte Hanks Common Stock underlying such RSU, and (b) in the case of a stock option, based on the in-the-money value of such option. At or immediately prior to the Closing, an aggregate of 216,446 restricted stock units are expected to vest and be settled, and a stock option covering 32,400 shares of Harte Hanks Common Stock is expected to be cancelled in exchange for a cash payment of approximately \$14,580.

For more information, see “Background of the Merger” beginning on page 68 and “Harte Hanks’ Reasons for the Merger; Recommendation of Board of Directors of Harte Hanks” beginning on page 82. These interests are described in more detail, and certain of them are quantified, in the section entitled “Interests of Harte Hanks Directors and Executive Officers in the Merger” beginning on page 93.

Governance of the Combined Company After the Merger (page 96)

The directors of Merger Sub immediately prior to the Effective Time will become the directors of Harte Hanks as the Surviving Corporation, and the officers of Merger Sub immediately prior to the Effective Time will become the officers of the Surviving Corporation, in each case until their respective successors are duly elected or appointed and qualified in accordance with applicable law and the Surviving Corporation’s organizational documents.

The directors and officers of Star immediately prior to the Merger Effective Time will continue to be the directors and officers of the surviving parent corporation.

Regulatory Approvals and Other Conditions to Closing (page 96)

The Merger is not subject to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (“**HSR**”) because the transaction does not meet the applicable size-of-transaction threshold, and no HSR filing or waiting period applies. Completion of the Merger is subject to the satisfaction of certain other regulatory and third-party conditions described below.

Under the Merger Agreement, Harte Hanks and Star have agreed to cooperate and use their respective commercially reasonable efforts to obtain all approvals, consents, waivers, authorizations and orders required from governmental authorities, if any, in connection with the Merger and the other transactions contemplated by the Merger Agreement.

In connection with the issuance of shares of Star's Preferred Stock in the Merger, Star is required to file with the SEC a registration statement on Form S-4 registering the securities to be issued in the Merger. A condition to the parties' obligation to complete the Merger is that the Form S-4 have become effective under the Securities Act and not be subject to any stop order or proceedings seeking a stop order. The filing and effectiveness of this Registration Statement on Form S-4 is intended to satisfy this condition to the parties' obligations to complete the Merger.

The Merger cannot be completed if any law, injunction, judgment, order or other legal restraint issued by a governmental authority prohibits, restrains or makes illegal the consummation of the Merger. Accordingly, a condition to Closing is the absence of any governmental order or legal restraint preventing the parties from completing the transaction.

The Merger is also conditioned on the delivery of the ABL Loan Agreement Amendment with Texas Capital Bank and on the availability of not less than \$15.0 million of proceeds under such facility (or any permitted Alternative Debt Financing) on the Closing Date. In addition, the Merger Agreement requires the receipt of certain third-party consents, waivers, approvals and notices identified in the Merger Agreement and related disclosure schedules.

Although neither Star nor Harte Hanks knows of any reason why it cannot obtain the requisite approvals in a timely manner, Star and Harte Hanks cannot be certain when or if they will be obtained, or that the granting of these regulatory approvals will not involve the imposition of conditions on the completion of the Merger.

For more information, see "Regulatory Approvals and Other Conditions to Closing" beginning on page 96.

Expected Timing of the Merger

Neither Star nor Harte Hanks can predict the actual date on which the Merger will be completed, or if the Merger will be completed at all, because completion is subject to conditions and factors outside the control of both companies. Harte Hanks must first obtain the approval of Harte Hanks stockholders for the Harte Hanks Merger Proposal. Star and Harte Hanks must also obtain necessary regulatory approvals and satisfy certain other closing conditions. Star and Harte Hanks expect the Merger to be completed promptly once Star and Harte Hanks have obtained the Harte Hanks stockholders' approval as noted above, have obtained necessary regulatory approvals, and have satisfied the other closing conditions.

Debt Financing and Alternative Debt Financing

In connection with the Merger, Star expects to finance a portion of the cash consideration payable in the Merger, together with related transaction expenses and fees, through debt financing.

Under the Merger Agreement, as a condition to Star's obligation to consummate the Merger, (i) debt financing proceeds in an aggregate principal amount of not less than \$15.0 million must be available to Star and (ii) Harte Hanks must obtain an amendment to Harte Hanks' existing asset-based lending facility on terms acceptable to Star, or (if such financing is not available) Star must take commercially reasonable efforts to obtain Alternative Debt Financing (as defined below) in no less than such amount.

As of the date of this proxy statement/prospectus, Harte Hanks and Star are pursuing financing arrangements intended to satisfy these requirements. Although Harte Hanks and Star currently expect that the required financing and related amendments will be available on terms acceptable to Star, there can be no assurance that such financing or amendments will be obtained on the anticipated terms or at all.

The Debt Financing and amendment to Harte Hanks' existing asset-based lending facility are not subject to approval by Harte Hanks stockholders.

The Merger Agreement permits Star, subject to the terms and conditions of the Merger Agreement, to obtain Alternative Debt Financing in lieu of the Debt Financing and amendment to Harte Hanks' existing asset-based lending facility.

If Star determines that Alternative Debt Financing is necessary or desirable, Star may seek financing from one or more alternative lenders or financing providers. Any Alternative Debt Financing must satisfy the requirements set forth in the Merger Agreement, including the requirement that debt financing proceeds of at least \$15.0 million be available at Closing.

Conditions to Complete the Merger (page 108)

As more fully described in this proxy statement/prospectus and in the Merger Agreement, the completion of the Merger depends on a number of conditions being satisfied or, where legally permissible, waived. These conditions include:

- the adoption of the Merger Agreement by the affirmative vote of the holders of a majority of the voting power of the outstanding shares of Harte Hanks Common Stock entitled to vote on the Merger;
- the Registration Statement on Form S-4 relating to the shares of Star's Preferred Stock to be issued in connection with the Merger having become effective under the Securities Act of 1933, as amended, and not be subject to any stop order or proceedings seeking a stop order.
- the absence of any law, injunction, judgment, order, decree or other legal restraint enacted, entered, promulgated, enforced or issued by any governmental authority that prohibits, restrains or makes illegal the consummation of the Merger or the other transactions contemplated by the Merger Agreement;
- the representations and warranties of Harte Hanks and Star being true and correct at Closing, subject to the materiality and other qualification standards set forth in the Merger Agreement;
- each party having performed and complied in all material respects with its respective covenants, agreements and obligations required to be performed prior to the Closing under the Merger Agreement;
- delivery by Harte Hanks and Star of customary closing certificates certifying, among other things, that the applicable representations and warranties satisfy the standards required by the Merger Agreement and that the applicable covenants have been performed;
- with respect to Harte Hanks, the absence of a Company Material Adverse Effect that is continuing as of the Closing Date;
- with respect to Star, the absence of a Parent Material Adverse Effect that is continuing as of the Closing Date;
- Harte Hanks having delivered to Star the amendment to the ABL Loan Agreement required by the Merger Agreement, in form and substance required by the agreement;
- all conditions precedent to the Debt Financing, or Alternative Debt Financing, contemplated by Star having been satisfied or waived, other than those conditions that by their nature are to be satisfied at the Closing of the Merger;
- Star having available at the Closing not less than \$15.0 million of proceeds under the Debt Financing (or any permitted Alternative Debt Financing) required to fund the transactions contemplated by the Merger Agreement; and

- receipt, expiration or satisfaction of specified third-party consents, approvals, waivers and notices required under certain contracts and arrangements identified in the Merger Agreement and disclosure schedules.

The foregoing summary is qualified in its entirety by reference to the section entitled “The Merger Agreement - Conditions to the Merger” and the full text of the Merger Agreement.

Termination of the Merger Agreement (page 111)

The Merger Agreement can be terminated at any time prior to the Effective Time, whether before or after the receipt of the requisite Harte Hanks vote, in the following circumstances:

- by mutual written agreement of Star and Harte Hanks;
- by either Star or Harte Hanks if a final and nonappealable order, injunction or other legal or regulatory restraint or prohibition, or a statute, rule, regulation or order, prohibits, makes illegal or enjoins the consummation of the Merger, provided that the terminating party has complied with its obligations to use commercially reasonable efforts to resist, appeal, obtain consent for, resolve or lift the applicable restraint or prohibition;
- by either Star or Harte Hanks if the Effective Time has not occurred by 11:59 p.m., Eastern Time, on March 1, 2027, subject to the limitations in the Merger Agreement, including limitations applicable if the other party has a valid termination right or if the terminating party’s breach was the primary cause of the failure to satisfy the applicable closing conditions or consummate the Merger by that date;
- by Star or Harte Hanks if Harte Hanks stockholders do not adopt the Merger Agreement at the Harte Hanks Special Meeting or any adjournment or postponement thereof at which a vote is taken;
- by Star if a condition to Star’s and Merger Sub’s obligation to complete the Merger has failed to be satisfied or has become incapable of being satisfied by the termination date, subject to the applicable notice and cure provisions of the Merger Agreement;
- by Star, before Harte Hanks stockholders approve the Merger Agreement, if the board of directors of Harte Hanks or a committee thereof has effected a Company Board Recommendation Change;
- by Harte Hanks if a condition to Harte Hanks’ obligation to complete the Merger has failed to be satisfied or has become incapable of being satisfied by the termination date, subject to the applicable notice and cure provisions of the Merger Agreement;
- by Harte Hanks, before Harte Hanks stockholders approve the Merger Agreement, to enter into a definitive agreement for a Superior Proposal, provided that Harte Hanks has complied in all material respects with the applicable non-solicitation provisions and pays the Company Termination Fee before or concurrently with termination; or
- by Harte Hanks if the closing conditions in favor of Harte Hanks and the mutual closing conditions have been satisfied or waived (other than conditions that are to be satisfied at closing and are capable of being satisfied at closing), Harte Hanks is ready, willing and able to close, Star and Merger Sub fail to close when required, and, after Harte Hanks gives the required written notice of its intention to terminate, Star and Merger Sub fail to close within the applicable three-business-day period.

Harte Hanks Termination Fee and Star Termination Fee (page 112)

Under the Merger Agreement, Harte Hanks may be required to pay Star a termination fee of \$1,152,000 in certain circumstances. The Merger Agreement provided for a reduced \$576,000 fee only if Harte Hanks terminated the Merger Agreement to enter into an alternative transaction involving more than 25% of Harte Hanks' outstanding voting power or assets, revenue or net income (an "Acquisition Transaction") with an Exempted Party and the definitive Alternative Acquisition Agreement was entered into on or prior to the No-Shop Period Start Date. Because no Alternative Acquisition Agreement was entered into on or prior to September 13, 2026, that reduced fee is no longer available, and any later termination to enter into an alternative transaction with an Exempted Party would require the full \$1,152,000 Company Termination Fee. The termination fee is payable only upon the occurrence of specified events and the termination of the Merger Agreement under the circumstances described below.

Prior to obtaining the Requisite Stockholder Approval, Harte Hanks may terminate the Merger Agreement in order to enter into a definitive agreement with respect to a Superior Proposal, provided that Harte Hanks complies with the notice, negotiation and matching-right procedures set forth in the Merger Agreement. If Harte Hanks terminates the Merger Agreement under these circumstances, Harte Hanks will be required to pay Star a termination fee of \$1,152,000. The reduced \$576,000 fee was available only if the definitive Alternative Acquisition Agreement was entered into with an Exempted Party on or prior to the No-Shop Period Start Date. Because no Alternative Acquisition Agreement was entered into by that date, any later termination to enter into an Alternative Acquisition Agreement with an Exempted Party would require the full \$1,152,000 Company Termination Fee.

Star may terminate the Merger Agreement if the board of directors of Harte Hanks effects a Company Board Recommendation Change. If the Merger Agreement is terminated under those circumstances, Harte Hanks must pay Star a termination fee of \$1,152,000.

If (i) an Acquisition Proposal has been publicly announced or publicly disclosed, (ii) the Merger Agreement is subsequently terminated under certain specified circumstances, including a failure to obtain stockholder approval or the failure to complete the Merger by the outside date, and (iii) within one year following such termination Harte Hanks consummates an Acquisition Transaction or enters into a definitive agreement providing for an Acquisition Transaction, then Harte Hanks will be required to pay Star a termination fee of \$1,152,000.

If the Merger Agreement is terminated under certain circumstances because Star or Merger Sub has failed to perform its obligations under the Merger Agreement in a manner that causes a closing condition to Harte Hanks' obligation to consummate the Merger to fail, or because Star and Merger Sub fail to consummate the Merger when required by the Merger Agreement, Star will be required to pay Harte Hanks a termination fee of \$1,152,000.

Accounting Treatment (page 96)

The Merger will be accounted for as an acquisition of Harte Hanks by Star under the acquisition method of accounting in accordance with GAAP.

Comparison of the Rights of Star Preferred Stockholders and Harte Hanks Common Stockholders (page 131)

The rights of Harte Hanks stockholders are governed by Delaware law and the Harte Hanks certificate of incorporation and the Harte Hanks bylaws. In the Merger, Harte Hanks stockholders who receive Star Preferred Stock Consideration will become Star Preferred Stockholders, and their rights will be governed by Delaware law, and will also be governed by the Certificate of Designations, Rights and Preferences of Star's 10% Series A Cumulative Perpetual Preferred Stock and the Star Certificate of Incorporation. Harte Hanks stockholders will have different rights once they become Star Preferred stockholders due to differences between the Harte Hanks governing documents, on the one hand, and the Star governing documents, on the other hand. These differences are described in more detail under the section entitled "Comparison of the Rights of Star Preferred stockholders and Harte Hanks Common stockholders" beginning on page 131.

Stock Exchange Listing (page 97)

The shares of Star's 10% Series A Cumulative Perpetual Preferred Stock to be issued in the Merger are listed for trading on the Nasdaq Global Select Market. Following the Merger, shares of Star Preferred Stock will continue to be traded on the Nasdaq Global Select Market.

The Harte Hanks Special Meeting (page 50)

The Harte Hanks Special Meeting will take place on [____], 2026 at [__]:00 p.m., Eastern Time, or at such other time as the Harte Hanks Special Meeting may be adjourned or postponed. The Harte Hanks Special Meeting will be held at Harte Hanks' principal executive office located at 1 Executive Drive, Suite 303, Chelmsford, MA 01824.

At the Harte Hanks Special Meeting, Harte Hanks stockholders will be asked to vote on the following matters:

- the Harte Hanks Merger Proposal; and
- the Non-Binding Advisory Compensation Proposal.

You may vote at the Harte Hanks Special Meeting if you owned shares of Harte Hanks Common Stock at the close of business on [____], 2026. As of the Record Date, there were [____] shares of Harte Hanks Common Stock outstanding.

John H. Griffin, Jr., Genevieve C. Combes, Bradley L. Radoff, Elizabeth Ross, David Fisher and David A. Garrison, solely in such director's or executive officer's capacity as a stockholder of Harte Hanks, have entered into a voting agreement with Star requiring each such director or executive officer to vote all shares of Harte Hanks Common Stock owned by such director or executive officer in favor of the Harte Hanks Merger Proposal. As of the Record Date, these directors and executive officers held [____] shares of Harte Hanks Common Stock, which represented approximately [____]% of the outstanding shares of Harte Hanks Common Stock entitled to vote at the Harte Hanks Special Meeting.

As of the Record Date for the Harte Hanks Special Meeting, Star beneficially owned 82,000 shares of Harte Hanks Common Stock, representing approximately 1.1% of the outstanding shares of Harte Hanks Common Stock entitled to vote at the Special Meeting. Star intends to vote, or cause to be voted, all such shares FOR the Harte Hanks Merger Proposal.

The Harte Hanks Merger Proposal will be approved if a majority of the voting power of the outstanding shares of Harte Hanks Common Stock entitled to vote at the Harte Hanks Special Meeting are voted in favor of such proposal. If a Harte Hanks stockholder present at the Harte Hanks Special Meeting abstains from voting, or responds by proxy with an "ABSTAIN," it will have the same effect as a vote "AGAINST" such proposal. If a Harte Hanks stockholder is not present at the Harte Hanks Special Meeting and does not respond by proxy or does not provide his, her or its bank, broker, trustee or other nominee with instructions, as applicable and as may be required, it will have the same effect as a vote "AGAINST" such proposal.

Approval of the Non-Binding Advisory Compensation Proposal is not a condition to completion of the Merger. Approval of the Non-Binding Advisory Compensation Proposal requires the affirmative vote of a majority of the votes cast at the Special Meeting, provided a quorum is present.

Dissenters' Rights in the Merger (page 97)

Neither Star stockholders nor Harte Hanks stockholders are entitled to dissenters' rights under the Merger Agreement or the General Corporation Law of the State of Delaware ("DGCL").

Election Procedures (page 100)

To make an effective election, a stockholder of record must submit a properly completed election form to the designated payment agent, on or before the election deadline specified in the election materials ("election deadline"). The election deadline will be 5:00 p.m., Eastern Time, on the Election Date. The "Election Date" will be the date of the Harte Hanks stockholder meeting, unless the Closing Date is more than four business days after that meeting; in that case, it will be two business days before the Closing Date. Star and Harte Hanks may agree to, and publicly announce, another Election Date.

Elections received after the election deadline, or elections that are not properly completed, will be treated as if no election had been made. You may change or revoke your election at any time prior to the election deadline by written notice received by the payment agent prior to the election deadline accompanied by a properly completed and signed, revised election form. All elections will be revoked automatically if the Merger Agreement is terminated. You may not revoke or change your elections following the election deadline.

Stockholders who do not make a valid election by the election deadline will be deemed to have made no election and will receive Merger Consideration in accordance with the allocation and proration procedures set forth in the Merger Agreement. In addition, all elections are subject to the overall cash and stock consideration limitations and proration provisions contained in the Merger Agreement, which may result in stockholders receiving a combination of cash and Star Preferred Stock that differs from the form of consideration elected.

Maximum Cash Amount and Proration (page 99)

Harte Hanks stockholders may elect to receive (i) \$5.00 in cash for each share of Harte Hanks Common Stock for which they elect Cash Consideration, (ii) 0.50 share of Star Preferred Stock for each share of Harte Hanks Common Stock for which they elect Preferred Stock Consideration, or (iii) a combination of both by electing Cash Consideration for some shares and Preferred Stock Consideration for others, in each case subject to the election and proration procedures contained in the Merger Agreement. Stockholders who do not make a valid election by the election deadline, or whose election is revoked, lost or otherwise not properly made, will be treated as non-electing stockholders.

The Merger Agreement provides that the aggregate amount of cash payable in the Merger, including cash payable in lieu of fractional shares of Star Preferred Stock, may not exceed the Maximum Cash Amount. As a result, a stockholder may not receive the exact form of consideration elected.

If the aggregate amount of cash that would be paid to all stockholders making cash elections is less than \$19.2 million, all cash-electing stockholders will receive the full Cash Consideration of \$5.00 per share and all Preferred Stock-electing stockholders will receive the full Preferred Stock Consideration of 0.50 share of Star Preferred Stock per share. In that circumstance, Star will determine whether non-electing stockholders receive Cash Consideration, Preferred Stock Consideration, or a combination of both, provided that the aggregate cash paid in the Merger does not exceed \$19.2 million.

If the aggregate amount of cash that would be paid to all shares making cash elections exceeds the \$19.2 million Maximum Cash Amount, all Preferred Stock-electing shares and all non-electing shares will receive the Preferred Stock Consideration. In addition, each cash-electing share will receive a prorated portion of the Cash Consideration and Preferred Stock Consideration.

The amount of cash payable to each cash-electing share will be determined by multiplying the Cash Consideration otherwise payable to all cash-electing shares by a fraction, the numerator of which is the Maximum Cash Amount and the denominator of which is the aggregate amount of cash that would be paid in respect of all Cash Electing Company Shares if all such Cash Electing Company Shares received the Cash Consideration in full. The remaining portion of each cash election will be converted into the right to receive Preferred Stock Consideration.

Any shares for which a valid election is not made, or for which an election is revoked, lost or otherwise deemed ineffective, will be treated as non-electing shares. If cash elections exceed the Maximum Cash Amount, all non-electing shares will receive Preferred Stock Consideration. If cash elections do not exceed the Maximum Cash Amount, Star may allocate Cash Consideration, Preferred Stock Consideration, or a combination thereof to non-electing shares, subject to the Maximum Cash Amount, in its discretion.

Risk Factors (page 42)

In evaluating the Merger Agreement and the Merger, you should carefully read this proxy statement/prospectus and give special consideration to the factors discussed in the section entitled “Risk Factors” beginning on page 42.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained or incorporated by reference into this proxy statement/prospectus are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (the “**Act**”), Section 27A of the Securities Act, and Section 21E of the Exchange Act notwithstanding that such statements are not specifically identified as such. In addition, certain statements may be contained in Star’s future filings with the U.S. Securities and Exchange Commission (“**SEC**”), in press releases and in oral and written statements made by Star or Harte Hanks or with their respective approval that are not statements of historical fact and constitute forward-looking statements within the meaning of the Act. Any statement that does not describe historical or current facts is a forward-looking statement, including statements with respect to Star’s and Harte Hanks’ beliefs, goals, intentions and expectations regarding the proposed transaction, revenues, earnings, Debt Financing, asset quality and capital levels, among other matters; our estimates of future costs and benefits of the actions we may take; our assessments of the Debt Financing; our assessments of other market risks; our ability to achieve our financial and other strategic goals; the expected timing of completion of the proposed transaction; the expected cost savings, synergies and other anticipated benefits from the proposed transaction; and other statements that are not historical facts.

Forward-looking statements are typically identified by words such as “believe,” “expect,” “anticipate,” “project,” “intend,” “target,” “estimate,” “continue,” “positions,” “prospects” or “potential,” by future conditional verbs such as “will,” “would,” “should,” “could,” or “may,” or by variations of such words or by similar expressions. Forward-looking statements are based on current expectations, estimates and projections about Star’s and Harte Hanks’ businesses, beliefs of Star’s and Harte Hanks’ management and assumptions made by Star and Harte Hanks’ management. These statements are not guarantees of future performance and are subject to numerous risks, uncertainties and assumptions that are difficult to predict, change over time, and many of which are beyond the control of Star and Harte Hanks. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements.

Some of these risks include, among others:

- the occurrence of any event, change or other circumstances that could give rise to the right of one or all of the parties to terminate the Merger Agreement;
- the outcome of any legal proceedings that may be instituted against Star or Harte Hanks;
- the possibility that the proposed transaction will not close when expected or at all because required regulatory, stockholder or other approvals are not received or other conditions to the Closing are not satisfied on a timely basis or at all, or are obtained subject to conditions that are not anticipated (and the risk that required regulatory approvals may result in the imposition of conditions that could adversely affect the combined company or the expected benefits of the proposed transaction);
- the ability of Star and Harte Hanks to meet expectations regarding the timing, completion and accounting and tax treatments of the proposed transaction;
- the risk that any announcements relating to the proposed transaction could have adverse effects on the market price of Star Preferred Stock;
- the possibility that the anticipated benefits of the proposed transaction will not be realized when expected or at all, including as a result of the impact of, or problems arising from, the integration of the two (2) organizations or as a result of the strength of the economy and competitive factors in the areas where Star and Harte Hanks do business;

- certain restrictions during the pendency of the proposed transaction that may impact the parties' ability to pursue certain business opportunities or strategic transactions;
- the possibility that the Merger may be more expensive to complete than anticipated, including as a result of unexpected factors or events;
- diversion of management's attention from ongoing business operations and opportunities;
- the possibility that the parties may be unable to achieve expected synergies and operating efficiencies in the Merger within the expected timeframes or at all and to successfully integrate Harte Hanks' operations and those of Star;
- such integration may be more difficult, time consuming or costly than expected;
- revenues following the proposed transaction may be lower than expected;
- Star's and Harte Hanks' success in executing their respective business plans and strategies and managing the risks involved in the foregoing; and
- risks related to the potential impact of general economic, political and market factors on the companies or the Merger and other factors that may affect future results of Star and Harte Hanks.

These are representative of the risks that could affect the outcome of the forward-looking statements. In addition, such statements could be affected by general industry and market conditions and growth rates, general economic and political conditions, either nationally or in the states in which Star, Harte Hanks or their respective subsidiaries do business, including interest rate and currency exchange rate fluctuations, changes and trends in the securities markets, and other risks.

For any forward-looking statements made in this proxy statement/prospectus or in any documents included with or incorporated by reference into this proxy statement/prospectus, Star and Harte Hanks claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act, and Section 21E of the Exchange Act. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this proxy statement/prospectus or the dates of the documents incorporated by reference in this proxy statement/prospectus and are not guarantees of future results, performance or outcomes. Annualized, pro forma, projected and estimated numbers are used for illustrative purposes only, are not forecasts and may not reflect actual results. Except as required by applicable law, neither Star nor Harte Hanks undertakes to update these forward-looking statements to reflect facts, circumstances, assumptions or events that occur after the date the forward-looking statements are made.

For additional information about factors that could cause actual results to differ materially from those described in the forward-looking statements, please see the reports that Star has filed with the SEC as described under "Where You Can Find More Information" beginning on page 135.

Star and Harte Hanks expressly qualify in their entirety all forward-looking statements attributable to either of them or any person acting on their behalf by the cautionary statements contained or referred to in this proxy statement/prospectus.

RISK FACTORS

In addition to the other information contained in or incorporated by reference into this proxy statement/prospectus, including the matters addressed under the caption “Cautionary Statement Regarding Forward-Looking Statements” beginning on page 40, Harte Hanks stockholders should carefully consider the following risk factors in deciding whether to vote for the approval of the Harte Hanks Merger Proposal.

Risks Relating to the Consummation of the Merger

Harte Hanks stockholders may receive a form of consideration different from what they elect.

Under the Merger Agreement, holders of Harte Hanks Common Stock may elect to receive Cash Consideration of \$5.00 per share, Preferred Stock Consideration of 0.50 share of Star’s Preferred Stock per share, or a combination of both by electing Cash Consideration for some shares and Preferred Stock Consideration for others, subject to the election and proration procedures set forth in the Merger Agreement. However, the aggregate amount of cash payable in the Merger, including cash payable in lieu of fractional shares of Star Preferred Stock, may not exceed \$19.2 million. As a result, if the aggregate Cash Consideration elected by Harte Hanks stockholders exceeds \$19.2 million, all Preferred Stock elections and all non-elections will be converted into Preferred Stock Consideration, and cash elections will be prorated. In that circumstance, stockholders that elect to receive cash will receive Cash Consideration only with respect to a portion of their shares and will receive Preferred Stock Consideration with respect to the remainder of their shares. The amount of cash ultimately received by each cash-electing stockholder will depend on the total number of shares for which cash elections are made by all Harte Hanks stockholders.

In addition, stockholders who do not make a valid election, whose election is revoked, or whose election is otherwise deemed ineffective will be treated as non-electing stockholders. If cash elections do not exceed the \$19.2 million cash cap, Star will determine whether non-electing shares receive Cash Consideration, Preferred Stock Consideration, or a combination of both, subject to the Maximum Cash Amount. Accordingly, stockholders may not know the exact form of Merger Consideration they will receive until after the election process has been completed and the final allocation has been determined. Regardless of whether you elect to receive Cash Consideration, Preferred Stock Consideration or a combination of both, you may receive a different mix of Cash and Preferred Stock than you elected, and the consideration you ultimately receive will depend in part on the elections made by other Harte Hanks stockholders.

Non-electing stockholders may receive a form of consideration determined by Star.

Stockholders who do not submit a valid election, whose election is revoked, or whose election is otherwise ineffective will be treated as non-electing stockholders. If the aggregate amount of cash elected by Harte Hanks stockholders is less than the \$19.2 million Maximum Cash Amount permitted under the Merger Agreement, Star has the discretion to determine whether non-electing shares receive Cash Consideration, Preferred Stock Consideration, or a combination of both, subject to the cash cap. In addition, the Star Preferred Stock has different investment characteristics and risks than cash, including risks related to Star’s business, financial condition and the market value of the Star Preferred Stock.

Star and Harte Hanks are expected to incur substantial costs related to the Merger and integration.

Star and Harte Hanks have incurred and expect to incur a number of non-recurring costs associated with the Merger. These costs include legal, financial advisory, accounting, consulting and other advisory fees, severance/employee benefit-related costs, public company filing fees and other regulatory fees, financial printing and other printing costs and other related costs. Some of these costs are payable by either Star or Harte Hanks regardless of whether the Merger is completed. See “Fees and Expenses” beginning on page 112.

Following the Closing, Star is expected to incur substantial costs related to the integration of Star's and Harte Hanks' businesses, including facilities and systems consolidation costs and employment-related costs. Star and Harte Hanks may also incur additional costs to maintain employee morale and to retain key employees. There are a large number of processes, policies, procedures, operations, technologies and systems that may need to be integrated, including accounting and finance, payroll, compliance, treasury management, operations, vendor management, risk management, lines of business, pricing and benefits. While Star and Harte Hanks have assumed that a certain level of costs will be incurred, there are many factors beyond their control that could affect the total amount or the timing of the integration costs. Moreover, many of the costs that will be incurred are, by their nature, difficult to estimate accurately. These integration costs may result in the combined company taking charges against earnings following the completion of the Merger, and the amount and timing of such charges are uncertain at present. There can be no assurances that the expected benefits and efficiencies related to the integration of the businesses will be realized to offset these transaction and integration costs over time.

Combining Star and Harte Hanks may be more difficult, costly or time-consuming than expected, and Star and Harte Hanks may fail to realize the anticipated benefits of the Merger.

The success of the Merger will depend, in part, on the ability to realize the anticipated cost savings from combining the businesses of Star and Harte Hanks. To realize the anticipated benefits and cost savings from the Merger, Star and Harte Hanks must successfully integrate and combine their businesses in a manner that permits those cost savings to be realized, without adversely affecting current revenues and future growth. If Star and Harte Hanks are not able to successfully achieve these objectives, the anticipated benefits of the Merger may not be realized fully, or at all, or may take longer to realize than expected. In addition, the actual cost savings of the Merger could be less than anticipated, and integration may result in additional and unforeseen expenses.

An inability to realize the full extent of the anticipated benefits of the Merger and the other transactions contemplated by the Merger Agreement, as well as any delays encountered in the integration process, could have an adverse effect upon the revenues, levels of expenses and operating results of the combined company following the completion of the Merger, which may adversely affect the value of the capital stock of the combined company following the completion of the Merger.

Star and Harte Hanks have operated and, until the completion of the Merger, must continue to operate, independently. It is possible that the integration process could result in the loss of key employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the companies' ability to maintain relationships with clients, customers, and employees or to achieve the anticipated benefits and cost savings of the Merger. Integration efforts between the two companies may also divert management attention and resources. These integration matters could have an adverse effect on each of Star and Harte Hanks during this transition period and for an undetermined period after completion of the Merger.

The future results of the combined company following the Merger may suffer if the combined company does not effectively manage its expanded operations.

Following the Merger, the size of the business of the combined company will increase beyond the current size of Star's business. The combined company's future success will depend, in part, upon its ability to manage this expanded business, which may pose challenges for management, including challenges related to the management and monitoring of new operations and associated increased costs and complexity. There can be no assurances that the combined company will be successful or that it will realize the expected operating efficiencies, revenue enhancement or other benefits currently anticipated from the Merger.

The combined company may be unable to retain Star and/or Harte Hanks' key personnel successfully after the Merger is completed.

The success of the Merger will depend in part on the combined company's ability to retain the talents and dedication of key employees currently employed by Star and Harte Hanks. It is possible that these employees may decide not to remain with Star or Harte Hanks, as applicable, while the Merger is pending or with the combined company after the Merger is consummated. If Star and Harte Hanks are unable to retain key employees, including management, who are critical to the successful integration and future operations of the companies, Star and Harte Hanks could face disruptions in their operations, loss of existing customers, loss of key information, expertise or know-how and unanticipated additional recruitment costs. In addition, following the Merger, if key employees terminate their employment, the combined company's business activities may be adversely affected, and management's attention may be diverted from successfully hiring suitable replacements, all of which may cause the combined company's business to suffer. Star and Harte Hanks also may not be able to locate or retain suitable replacements for any key employees who leave either company. See "Governance of the Combined Company After the Merger" beginning on page 96.

The Merger is conditioned on the availability of Debt Financing and/or Alternative Debt Financing, which may not be obtained on the anticipated terms or at all.

The completion of the Merger is conditioned upon the availability of proposed financing of a portion of the Cash Consideration and any cash in lieu of fractional shares of Star Preferred Stock, pursuant to a draw by Harte Hanks on its \$25,000,000 existing secured revolving credit facility under the ABL Loan Agreement (the “**Debt Financing**”). Under the Merger Agreement, Star expects to fund a portion of the Cash Consideration through borrowings under Harte Hanks’ existing revolving credit facility pursuant to the ABL Loan Agreement, as amended by the ABL Loan Agreement Amendment, or in the event any portion of the Debt Financing becomes unavailable, Star shall use commercially reasonable efforts to obtain alternative debt financing on terms substantially similar to those available under the ABL Loan Agreement or otherwise acceptable to Star in its sole discretion (“**Alternative Debt Financing**”). Among other conditions, the Merger cannot be completed unless all conditions to the funding of the Debt Financing (or any Alternative Debt Financing) have been satisfied or waived and at least \$15.0 million is available to be borrowed at Closing.

Although Star and Harte Hanks have agreed to use commercially reasonable efforts to obtain the required financing, there can be no assurance that the required financing will be available on acceptable terms, when needed, or at all. Financing commitments may be delayed, terminated or become unavailable as a result of adverse market conditions, lender requirements, the failure to satisfy closing conditions or other factors outside the parties’ control.

If the required Debt Financing and/or Alternative Debt Financing is not available at Closing, the Merger may be delayed or may not be completed. Any such delay or failure to complete the Merger could adversely affect Harte Hanks, its business, financial condition, results of operations and the market price of Harte Hanks Common Stock.

Star may be required to seek alternative financing if the anticipated Debt Financing becomes unavailable.

Star intends to fund a portion of the Merger Consideration through borrowings under Harte Hanks’ existing credit facility. If that financing becomes unavailable or is reasonably expected to become unavailable, Star would be required to seek Alternative Debt Financing. There can be no assurance that alternative financing would be available on acceptable terms, in sufficient amounts or on a timely basis. Any inability to obtain alternative financing could delay the consummation of the Merger or prevent the Merger from being completed.

The Merger will increase the indebtedness of the combined company and could adversely affect its financial flexibility.

A portion of the Cash Consideration payable in the Merger will be funded through Debt Financing. As a result, the combined company will have additional indebtedness following the Merger. Increased indebtedness may reduce financial flexibility, increase debt service obligations, restrict the ability to pursue strategic opportunities, limit the ability to obtain additional financing and make the combined company more vulnerable to adverse economic and industry conditions. The combined company’s ability to service its indebtedness will depend on future operating performance and financial results, which will be subject to economic, financial, competitive and other factors beyond its control.

The unaudited pro forma condensed combined financial information included in this proxy statement/prospectus is preliminary and the actual consideration to be issued in the Merger as well as the actual financial condition and results of operations of the combined company after the Merger may differ materially.

The unaudited pro forma condensed combined financial information in this proxy statement/prospectus is presented for illustrative purposes only and is not necessarily indicative of what the combined company’s actual financial condition or results of operations would have been had the Merger been completed on the dates indicated. The unaudited pro forma condensed combined financial information reflects adjustments, which are based upon preliminary estimates, to record the Harte Hanks identifiable assets acquired and liabilities assumed at fair value and the resulting goodwill recognized. The Merger Consideration value allocation reflected in this document is preliminary, and the final allocation thereof will be based upon the value of the actual Merger Consideration and the fair value of the assets and liabilities of Harte Hanks as of the date of the completion of the Merger. The unaudited pro forma combined financial information reflects numerous variables, expectations and assumptions available at the time it was prepared as to certain business decisions that are subject to change and does not take into account any circumstances or events occurring after the date it was prepared, including any recent developments, events, and market volatility. Accordingly, the actual value of the Merger Consideration may vary significantly from the value used in preparing the unaudited pro forma condensed combined financial information in this document. Accordingly, the final acquisition accounting adjustments may differ materially from the pro forma adjustments reflected in this document and no assurances can be given that if the prospective financial information had been prepared as of the date of this proxy statement/prospectus, similar assumptions would be used. For more information, see “Unaudited Pro Forma Condensed Combined Financial Statements” beginning on page 117.

Certain of Harte Hanks' directors and executive officers may have interests in the Merger that may differ from, or are in addition to, the interests of Harte Hanks stockholders.

Harte Hanks stockholders should be aware that certain Harte Hanks directors and executive officers may have interests in the Merger that differ from, or are in addition to, the interests of Harte Hanks stockholders generally, including because certain executive officers may receive transaction-related compensation or benefits, hold Harte Hanks securities or have participated in the evaluation or negotiation of the Merger. The board of directors of Harte Hanks was aware of these interests and considered them, among other matters, in making its recommendation that Harte Hanks stockholders approve the Merger Agreement. For a more complete description of these interests, please see "Interests of Harte Hanks Directors and Executive Officers in the Merger" beginning on page 93.

The Merger Agreement may be terminated in accordance with its terms and the Merger may not be completed.

The Merger Agreement contains a number of conditions that must be satisfied or waived before the Merger can be completed. These conditions include, among others, (i) approval of the Merger Agreement by the holders of a majority of the voting power of the outstanding shares of Harte Hanks Common Stock entitled to vote on the Merger, (ii) the effectiveness of the registration statement on Form S-4, (iii) the absence of any law, injunction or governmental order prohibiting the Merger, (iv) the accuracy of the parties' representations and warranties and compliance with their respective covenants, (v) the absence of a Company Material Adverse Effect and a Parent Material Adverse Effect, (vi) delivery of the amendment to Harte Hanks' existing Debt Financing ABL credit facility, or delivery of an acceptable Alternative Debt Financing agreement, and (vii) the availability of at least \$15.0 million of Debt Financing or Alternative Debt Financing at Closing.

These conditions may not be satisfied in a timely manner or at all. In particular, the Merger is dependent on the availability of Debt Financing and the execution of the ABL Loan Agreement Amendment, each of which is outside the complete control of the parties. If any closing condition is not satisfied or waived, the Merger may be delayed or may not be completed.

In addition, the Merger Agreement may be terminated under certain circumstances, including by mutual agreement of the parties, if the Merger is not completed by March 1, 2027, if the required Harte Hanks stockholder approval is not obtained, if certain closing conditions become incapable of being satisfied, if Harte Hanks accepts a Superior Proposal in accordance with the Merger Agreement, or in certain circumstances involving a change in the board of directors of Harte Hanks' recommendation.

If the Merger is not completed, Harte Hanks stockholders will not receive the Merger Consideration and Harte Hanks may be subject to a number of risks, including costs incurred in connection with the transaction, potential business disruptions and the diversion of management's attention from ongoing business operations

Failure to complete the Merger could negatively impact Star and/or Harte Hanks.

If the Merger is not completed for any reason, including as a result of Harte Hanks stockholders failing to approve the Harte Hanks Merger Proposal, there may be various adverse consequences and Star and/or Harte Hanks may experience negative reactions from the financial markets and from their respective customers and employees. For example, Star's or Harte Hanks' businesses may have been impacted adversely by the failure to pursue other beneficial opportunities due to the focus of management on the Merger, without realizing any of the anticipated benefits of completing the Merger. Star and/or Harte Hanks also could be subject to litigation related to any failure to complete the Merger or to proceedings commenced against Star or Harte Hanks to perform their respective obligations under the Merger Agreement.

In addition, under the Merger Agreement, Harte Hanks may be required to pay Star a termination fee of \$1.152 million in certain circumstances, including if the Merger Agreement is terminated following a change in the recommendation of the board of directors of Harte Hanks or if Harte Hanks terminates the Merger Agreement to enter into an agreement with respect to a Superior Proposal. The Merger Agreement provided for a reduced \$576,000 fee only if the definitive Alternative Acquisition Agreement with an Exempted Party was entered into on or prior to the No-Shop Period Start Date. Because no Alternative Acquisition Agreement was entered into on or prior to September 13, 2026, that reduced fee is no longer available and any later termination to enter into an alternative transaction with an Exempted Party would require the full \$1.152 million Company Termination Fee. Star may also be required to pay Harte Hanks a termination fee of \$1.152 million in certain circumstances involving Star's failure to satisfy its closing obligations under the Merger Agreement. The payment of any such termination fee could have an adverse effect on the financial condition and results of operations of the party required to make the payment.

Additionally, each of Star and Harte Hanks has incurred and will incur substantial expenses in connection with the negotiation and completion of the transactions contemplated by the Merger Agreement, as well as the costs and expenses of preparing, filing, printing and mailing this proxy statement/prospectus, and all filing and other fees paid in connection with the Merger. If the Merger is not completed, Star and Harte Hanks would have to pay these expenses without realizing the expected benefits of the Merger.

Further, if the Merger Agreement is not completed and the board of directors of Harte Hanks seeks another business combination, Harte Hanks stockholders cannot be certain that Harte Hanks will be able to find a party willing to enter into a transaction that is as favorable to Harte Hanks and its stockholders as the Merger.

Star and Harte Hanks will be subject to business uncertainties and Harte Hanks will be subject to contractual restrictions while the Merger is pending.

Uncertainty about the effect of the Merger on employees and customers may have an adverse effect on Star and Harte Hanks. These uncertainties may impair Star's or Harte Hanks' ability to attract, retain and motivate key personnel until the Merger is completed, and could cause customers and others that deal with Star or Harte Hanks to seek to change existing business relationships with Star or Harte Hanks. In addition, subject to certain exceptions, Harte Hanks has to operate its business in the ordinary course in all material respects and to refrain from taking certain actions that may adversely affect its ability to consummate the transactions contemplated by the Merger Agreement on a timely basis without the consent of the other party. These restrictions may prevent Harte Hanks from pursuing attractive business opportunities that may arise prior to the completion of the Merger. See "Additional Covenants" beginning on page 105 for a description of the restrictive covenants applicable to Harte Hanks.

The announcement of the proposed Merger could disrupt Star's and Harte Hanks' relationships with their customers, suppliers, business partners and others, as well as their operating results and businesses generally.

Whether or not the Merger is ultimately consummated, as a result of uncertainty related to the Merger, risks relating to the impact of the announcement of the Merger on Star's and Harte Hanks' businesses include the following:

- their employees may experience uncertainty about their future roles, which might adversely affect Star's and Harte Hanks' ability to retain and hire key personnel and other employees;

- customers, suppliers, business partners and other parties with which Star and Harte Hanks maintain business relationships may experience uncertainty about their respective futures and seek alternative relationships with third parties, seek to alter their business relationships with Star and Harte Hanks or fail to extend an existing relationship with Star and Harte Hanks; and
- Star and Harte Hanks have each expended and will continue to expend significant costs, fees and expenses for professional services and transaction costs in connection with the proposed Merger.

If any of the aforementioned risks were to materialize, they could lead to significant costs which may impact each party's results of operations and financial condition.

The Merger Agreement may discourage other companies from trying to acquire Harte Hanks.

Although the Merger Agreement permits Harte Hanks and its representatives to actively solicit, initiate and engage in discussions regarding alternative Acquisition Proposals during a 30-day Go-Shop Period following execution of the Merger Agreement. Following the expiration of the Go-Shop Period Harte Hanks becomes subject to restrictions on its ability to solicit competing Acquisition Proposals and engage in discussions regarding alternative transactions, subject to certain exceptions designed to permit the board of directors of Harte Hanks to comply with its fiduciary duties. In addition, after the Go-Shop Period, Harte Hanks is generally required to provide Star with notice of competing Acquisition Proposals and related developments and, in certain circumstances, an opportunity to negotiate revisions to the Merger Agreement before the board of directors of Harte Hanks may change its recommendation or terminate the Merger Agreement to enter into an alternative transaction.

The Merger Agreement also provides that Harte Hanks may be required to pay Star a termination fee of up to \$1.152 million if the Merger Agreement is terminated in connection with a Superior Proposal or certain other specified circumstances. The Merger Agreement provided for a reduced \$576,000 fee only if an Alternative Acquisition Agreement with an Exempted Party was entered into on or prior to the No-Shop Period Start Date. Because no Alternative Acquisition Agreement was entered into on or prior to September 13, 2026, that reduced fee is no longer available and any later termination to enter into an alternative transaction with an Exempted Party would require the full \$1.152 million Company Termination Fee. These provisions could discourage potential acquirors from pursuing an acquisition of Harte Hanks or proposing a transaction that may be more favorable to Harte Hanks stockholders than the Merger. As a result, Harte Hanks stockholders may not have the opportunity to consider a competing transaction that could provide greater value than the Merger Consideration contemplated by the Merger Agreement.

For more information, see "Harte Hanks Termination Fee" and "Recommendation of Board of Directors of Harte Hanks" beginning on page 50.

The shares of Star Preferred Stock to be received by Harte Hanks stockholders as a result of the Merger will have different rights from the shares of Harte Hanks Common Stock.

In the Merger, Harte Hanks stockholders who receive stock consideration will become Star Preferred stockholders and their rights as stockholders will be governed by Delaware law and the governing documents of Star following the Merger. The rights associated with Star Preferred Stock are different from the rights associated with Harte Hanks Common Stock. See "Comparison of the Rights of Star Preferred stockholders and Harte Hanks stockholders" beginning on page 131 for a discussion of the different rights associated with Star Preferred Stock.

Harte Hanks stockholders who receive Star Preferred Stock will cease to hold common equity with general voting rights and will not have voting rights with respect to Star.

Harte Hanks stockholders currently have the right to vote in the election of the board of directors and on other matters affecting Harte Hanks. When the Merger is completed, each Harte Hanks stockholder who receives Star Preferred Stock consideration will become a holder of Preferred Stock of Star without general voting rights, unless dividends on the Stock Preferred Stock are in arrears for six or more consecutive quarters. Because of this, Harte Hanks stockholders will have little to no influence on the management and policies of the combined company.

The liquidation preference of the Star Preferred Stock is not a guarantee of market value, redemption value or future payments.

The Star Preferred Stock has a liquidation preference of \$10.00 per share. However, the liquidation preference does not represent the price at which the Star Preferred Stock will trade, the amount that holders may receive if they sell their shares in the market or an amount that Star is required to pay upon any specified date.

Except upon a liquidation, dissolution or winding up of Star in accordance with the Certificate of Designations, holders of Star Preferred Stock generally have no right to receive the liquidation preference. The market price of the Star Preferred Stock may trade at a substantial discount to its liquidation preference for extended periods of time based on prevailing interest rates, market conditions, Star's financial condition, liquidity in the trading market, investor perceptions regarding Star's business prospects and other factors. As a result, stockholders receiving Preferred Stock Consideration in the Merger may not be able to realize an amount equal to the liquidation preference if they sell their shares.

Dividends on the Star Preferred Stock are cumulative but remain subject to numerous limitations and may not be paid when expected.

The Star Preferred Stock provides for cumulative dividend rights. However, the existence of cumulative dividends does not guarantee that dividends will be paid on any particular date or at all.

The declaration and payment of dividends will remain subject to applicable law, the availability of legally available funds, Star's financial condition, results of operations, cash flows, contractual obligations, debt service requirements, financing arrangements, capital requirements and other factors determined by Star's board of directors. If Star does not have sufficient legally available funds or determines that payment of dividends would not be in the best interests of Star, dividends may accumulate for future payment rather than being paid currently.

Any failure by Star to pay dividends when expected may adversely affect the market value of the Star Preferred Stock and could materially reduce the attractiveness of the Preferred Stock Consideration to Harte Hanks stockholders.

The Star Preferred Stock ranks junior to all of Star's indebtedness and may be adversely affected by future borrowings and financing activities.

The Star Preferred Stock ranks junior in right of payment to all existing and future indebtedness and other non-equity claims against Star. As a result, Star must satisfy its obligations to lenders and other creditors before it may make distributions to holders of Star Preferred Stock.

Star may incur additional indebtedness in the future, including indebtedness associated with financing the Merger, refinancing existing obligations or funding future acquisitions and business operations. Increased leverage could reduce cash available for dividend payments on the Star Preferred Stock, increase financial risk and negatively affect the market value of the Star Preferred Stock.

Stockholders receiving Preferred Stock Consideration will receive a perpetual preferred equity security that is not redeemable at the holder's option and is not convertible into Star common stock.

The Star Preferred Stockholders generally do not have the right to require Star to redeem or repurchase their shares. In addition, the Star Preferred Stock is not convertible into shares of Star Common Stock. As a result, Harte Hanks Stockholders receiving Preferred Stock Consideration will continue as equity holders of Star through ownership of a perpetual preferred security possessing the dividend, liquidation and other rights described elsewhere in this proxy statement/prospectus. The trading value of the Star Preferred Stock may be affected by numerous factors, including Star's financial results, dividend payments, prevailing interest rates, market conditions and investor demand for preferred securities.

Stockholder litigation could prevent or delay the completion of the Merger or otherwise negatively impact the business and operations of Star and Harte Hanks.

Stockholders of Star and/or of Harte Hanks may file lawsuits against Star, Harte Hanks and/or the directors and officers of either company in connection with the Merger. One of the conditions to the Closing is the absence of any law, injunction or governmental order prohibiting the Merger. If any plaintiff were successful in obtaining an injunction prohibiting Star or Harte Hanks from completing the Merger or any of the other transactions contemplated by the Merger Agreement, then such injunction may delay or prevent the effectiveness of the Merger and could result in significant costs to Star and/or Harte Hanks, including any cost associated with the indemnification of directors and officers of each company. Star and Harte Hanks may incur costs in connection with the defense or settlement of any stockholder lawsuits filed in connection with the Merger. Such litigation could have an adverse effect on the financial condition and results of operations of Star and Harte Hanks and could prevent or delay the completion of the Merger.

The opinion received by the board of directors of Harte Hanks from Citizens JMP Securities, LLC prior to the signing of the Merger Agreement does not reflect any changes in circumstances that may have occurred since the date of such opinion.

The opinion of Citizens JMP Securities, LLC regarding the fairness, from a financial point of view, of the Merger Consideration was rendered to the board of directors of Harte Hanks on, and was dated August 12, 2026. Changes in the operations and prospects of Harte Hanks or Star, general market and economic conditions and other factors which may be beyond the control of Harte Hanks may have altered the value of Harte Hanks and/or the value of the Merger Consideration pursuant to the Merger Agreement. Citizens JMP Securities, LLC's opinion dated August 12, 2026 does not speak as of any date other than the date of such opinion.

The Merger may distract Star's and Harte Hanks' management from their other responsibilities.

The pending Merger could cause Star's and Harte Hanks' management to focus its time and energies on matters related to the Merger that otherwise would be directed to the business and operations of Star and Harte Hanks, respectively. Any such distraction on the part of management, if significant, could affect its ability to service existing business and develop new business and adversely affect the business and earnings of Star and Harte Hanks.

The Merger will be a taxable transaction for U.S. federal income tax purposes, and Harte Hanks stockholders may be required to recognize taxable gain without receiving entirely Cash Consideration.

The Merger is intended to be a taxable transaction for U.S. federal income tax purposes. Accordingly, a U.S. holder of Harte Hanks Common Stock generally will recognize gain or loss equal to the difference between (i) the fair market value of the Merger Consideration received and (ii) such U.S. holder's adjusted tax basis in its shares of Harte Hanks Common Stock. As a result, many Harte Hanks stockholders may incur a current tax liability as a result of the Merger.

In addition, because stockholders may receive Star Preferred Stock as all or a portion of the Merger Consideration, stockholders may be required to pay taxes on gain recognized in the Merger even though they receive little or no Cash Consideration with which to satisfy those taxes. Consequently, a stockholder could incur tax liabilities associated with the Merger while receiving insufficient cash proceeds to satisfy those liabilities. Such stockholders may be required to use funds from other sources, sell securities, or incur additional costs to meet their tax obligations. Stockholders should consult their own tax advisors regarding the tax consequences of the Merger in light of their particular circumstances.

The amount of gain or loss recognized, the character of such gain or loss and the overall tax consequences of the Merger will depend on a stockholder's particular facts and circumstances, including the form of consideration received and the stockholder's tax status. As a result, the tax consequences of the Merger may differ significantly from one stockholder to another.

Net operating loss carryforwards and certain other tax attributes of Harte Hanks are expected to be limited as a result of the Merger.

In general, a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its pre-change net operating losses to offset future taxable income. In general, an ownership change occurs if the aggregate stock ownership of certain stockholders, generally stockholders beneficially owning five percent (5%) or more of a corporation's common stock, applying certain look-through and aggregation rules, increases by more than 50 percentage points over such stockholders' lowest percentage ownership during the testing period, generally three years. Harte Hanks is expected to experience an ownership change as a result of the Merger. Consequently, the combined company may not be able to utilize a portion of Harte Hanks' net operating loss carryforwards and certain other tax attributes, which could have an adverse effect on cash flow and results of operations.

Risks Relating to Star's Business

You should read and consider risk factors specific to Star's business that will also affect the combined company after the Merger. These risks are described in the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of Star's Annual Report on Form 10-K for the year ended December 31, 2025. Please see the section entitled "Where You Can Find More Information" beginning on page 135 of this proxy statement/prospectus for the location of information available regarding Star in its public filings with the SEC.

Risks Relating to Harte Hanks' Business

You should read and consider risk factors specific to Harte Hanks' business that will also affect the combined company after the Merger. These risks are described in the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of Harte Hanks' Annual Report on Form 10-K for the year ended December 31, 2025. Please see the section entitled "Where You Can Find More Information" beginning on page 135 of this proxy statement/prospectus for the location of information available regarding Harte Hanks in its public filings with the SEC.

THE HARTE HANKS SPECIAL MEETING

This section contains information for Harte Hanks stockholders about the Harte Hanks Special Meeting that board of directors of Harte Hanks has called to allow Harte Hanks stockholders to consider and vote on the Harte Hanks Merger Proposal and the Non-Binding Advisory Compensation Proposal. This proxy statement/prospectus is accompanied by a notice of the Harte Hanks Special Meeting and a form of proxy card that the board of directors of Harte Hanks is soliciting for use by Harte Hanks stockholders at the Harte Hanks Special Meeting and at any adjournments or postponements of the Harte Hanks Special Meeting.

Date, Time and Place of the Meeting

The Harte Hanks Special Meeting will take place on [____], 2026 at [__]:00 p.m., Eastern Time, or at such other time as the Harte Hanks Special Meeting may be adjourned or postponed. The Harte Hanks Special Meeting will be held at Harte Hanks' principal executive office located at 1 Executive Drive, Suite 303, Chelmsford, MA 01824.

Matters to Be Considered

At the Harte Hanks Special Meeting, Harte Hanks stockholders will be asked to consider and vote upon the following proposals:

- the Harte Hanks Merger Proposal; and
- the Non-Binding Advisory Compensation Proposal.

Recommendation of Board of Directors of Harte Hanks

The board of directors of Harte Hanks recommends that you vote "FOR" the Harte Hanks Merger Proposal and "FOR" the Non-Binding Advisory Compensation Proposal. See "Harte Hanks' Reasons for the Merger; Recommendation of Board of Directors of Harte Hanks" beginning on page 82 for a more detailed discussion of the board of directors of Harte Hanks' recommendations.

Record Date and Quorum

The board of directors of Harte Hanks has fixed the close of business on [____], 2026 as the Record Date for the determination of Harte Hanks stockholders entitled to notice of and to vote at the Harte Hanks Special Meeting. As of the Harte Hanks Record Date, there were [____] shares of Harte Hanks Common Stock outstanding.

The presence, in person or represented by proxy, of holders of shares representing a majority of the voting power of the outstanding shares of Harte Hanks Common Stock entitled to vote at the Harte Hanks Special Meeting will constitute a quorum for the transaction of business at the Harte Hanks Special Meeting. If you fail to submit a proxy prior to the Harte Hanks Special Meeting or to vote at the Harte Hanks Special Meeting, your shares of Harte Hanks Common Stock will not be counted towards a quorum. Abstentions will be included in determining the number of shares present at the meeting for the purpose of determining the presence of a quorum, but not a broker non-vote or other failure to vote.

Under the Harte Hanks bylaws, if a quorum is not present at the Harte Hanks Special Meeting, the presiding officer of the Harte Hanks Special Meeting, if directed by the board of directors of Harte Hanks, may adjourn the Harte Hanks Special Meeting.

At the Harte Hanks Special Meeting, each share of Harte Hanks Common Stock is entitled to one (1) vote on all matters properly submitted to Harte Hanks stockholders.

As of the close of business on the Record Date, Harte Hanks’ directors and executive officers and their affiliates were entitled to vote an aggregate of [_____] shares of Harte Hanks Common Stock at the Harte Hanks Special Meeting, which represents approximately [_____] % of the issued and outstanding shares of Harte Hanks Common Stock entitled to vote at the Harte Hanks Special Meeting.

John H. Griffin, Jr., Genevieve C. Combes, Bradley L. Radoff, Elizabeth Ross, David Fisher and David A. Garrison, solely in such director’s or executive officer’s capacity as a stockholder of Harte Hanks, have entered into a voting agreement with Star requiring each such director or executive officer to vote all shares of Harte Hanks Common Stock owned by such director or executive officer in favor of the Harte Hanks Merger Proposal. As of the Record Date, these directors and executive officers held [_____] shares of Harte Hanks Common Stock, which represented approximately [_____] % of the outstanding shares of Harte Hanks Common Stock.

Broker Non-Votes

A broker non-vote occurs when a bank, broker, trustee or other nominee submits a proxy with respect to a proposal on which it has discretionary voting authority but does not vote on a separate “non-routine” proposal because it has not received voting instructions from the beneficial owner of the shares. Because both proposals to be considered at the Harte Hanks Special Meeting are non-routine matters, broker non-votes are not expected at the Harte Hanks Special Meeting.

If your bank, broker, trustee or other nominee holds your shares of Harte Hanks Common Stock in “street name,” that entity may vote your shares on the Harte Hanks Merger Proposal only if you provide voting instructions by following the instructions provided with this proxy statement/prospectus. Accordingly, if you hold your shares in street name, you should instruct your bank, broker, trustee or other nominee how to vote your shares as promptly as possible.

Vote Required; Treatment of Abstentions and Failure to Vote

Harte Hanks Merger Proposal:

Vote Required: Approval of the Harte Hanks Merger Proposal requires the affirmative vote of the holders of a majority of the voting power of the outstanding shares of Harte Hanks Common Stock entitled to vote on the Merger. Approval of the Harte Hanks Merger Proposal is a condition to the completion of the Merger.

Effect of Abstentions and Failure to Vote: If you do not attend the Harte Hanks Special Meeting and do not respond by proxy or do not provide your bank, broker, trustee or other nominee with instructions, as applicable, or if you attend the Harte Hanks Special Meeting and abstain from voting, or respond by proxy with an “ABSTAIN,” this will be considered votes cast “against” the Harte Hanks Merger Proposal.

Non-Binding Advisory Compensation Proposal:

Vote Required: Approval of the Non-Binding Advisory Compensation Proposal requires the affirmative vote of a majority of the votes cast at the Special Meeting, provided a quorum is present. Approval of this proposal is not a condition to completion of the Merger.

Effect of Abstentions and Failure to Vote: Assuming a quorum is present, abstentions will not be counted as votes cast and will have no effect on the outcome of the proposal. Broker non-votes and failures to vote or submit a proxy will not be counted as votes cast and will have no effect on the outcome of the proposal.

Voting at the Harte Hanks Special Meeting

Shares of Harte Hanks Common Stock held directly in your name as the stockholder of record may be voted at the Harte Hanks Special Meeting. Even if you plan to attend the Harte Hanks Special Meeting, we recommend that you vote your shares of Harte Hanks Common Stock in advance as described above so that your vote will be counted if you later decide not to attend the Harte Hanks Special Meeting.

If your shares of Harte Hanks Common Stock are registered in “street name” in the name of a broker or other nominee and you wish to vote at the Harte Hanks Special Meeting, you will need to obtain a legal proxy from your bank or brokerage firm. Please consult the voting form sent to you by your bank or broker to determine how to obtain a legal proxy in order to vote at the meeting. See “Shares Held in Street Name” below for further information.

Proxies

A holder of Harte Hanks Common Stock may vote by proxy at the Harte Hanks Special Meeting. If you hold your shares of Harte Hanks Common Stock in your name as a record holder, to submit a proxy, you, as a holder of Harte Hanks Common Stock, may use one of the following methods:

- through the internet: by visiting the website indicated on the accompanying proxy card and following the instructions; or
- by completing and returning the accompanying proxy card in the enclosed postage-paid envelope. The envelope requires no additional postage if mailed in the United States.

Harte Hanks requests that Harte Hanks stockholders vote over the internet or by completing and signing the accompanying proxy card and returning it to Harte Hanks as soon as possible in the enclosed postage-paid envelope. When the accompanying proxy card is returned properly executed, the shares of Harte Hanks Common Stock represented by it will be voted at the Harte Hanks Special Meeting in accordance with the instructions contained on the proxy card. If you make no specification on your proxy card as to how you want your shares voted before signing and returning it, your proxy will be voted “FOR” the Harte Hanks Merger Proposal and “FOR” the Non-Binding Advisory Compensation Proposal.

If you are a beneficial owner, the holder should check the voting form used by your bank, broker, trustee or other nominee to determine whether the holder may vote by telephone or the internet.

Every vote is important. Accordingly, you should sign, date and return the enclosed proxy card or vote via the internet whether or not you plan to attend the Harte Hanks Special Meeting. Sending in your proxy card or voting via the internet will not prevent you from voting your shares at the meeting because you may revoke your proxy at any time before it is voted.

Shares Held in Street Name

If your shares are held in “street name” through a bank, broker, trustee or other nominee, you must instruct the bank, broker, trustee or other nominee on how to vote your shares. Your bank, broker, trustee or other nominee will vote your shares only if you provide specific instructions on how to vote by following the instructions provided to you by your bank, broker, trustee or other nominee.

Further, banks, brokers, trustees or other nominees who hold shares of Harte Hanks Common Stock on behalf of their customers may not give a proxy to Harte Hanks to vote those shares with respect to any of the proposals without specific instructions from their customers, as banks, brokers, trustees and other nominees do not have discretionary voting power on the proposal that will be voted upon at the Harte Hanks Special Meeting, including the Harte Hanks Merger Proposal.

Revocability of Proxies

If you directly hold shares of Harte Hanks Common Stock in your name as a record holder, you can change your vote at any time before your proxy is voted at the Harte Hanks Special Meeting. You can do this by:

- submitting a written statement that you would like to revoke your proxy to the corporate secretary of Harte Hanks;

- casting your vote by internet as provided on the proxy card;
- signing and returning a proxy card with a later date prior to the Harte Hanks Special Meeting; or
- attending the Harte Hanks Special Meeting, requesting the return of your proxy and voting at the Harte Hanks Special Meeting.

If your shares are held in street name, you should follow your bank's, broker's, trustee's or other nominee's instructions regarding the revocation of proxies.

Attendance at the Harte Hanks Special Meeting will not in and of itself constitute revocation of a proxy. A revocation or later-dated proxy received by Harte Hanks after the vote will not affect the vote. Written notices of revocation and other communications regarding the revocation of your proxy should be addressed to Harte Hanks, Inc., Attn: Corporate Secretary / General Counsel, 1 Executive Drive, Suite 303, Chelmsford, MA 01824. If the Harte Hanks Special Meeting is postponed or adjourned, it will not affect the ability of Harte Hanks stockholders of record as of the Record Date to exercise their voting rights or to revoke any previously granted proxy using the methods described above.

Delivery of Proxy Materials

As permitted by applicable law, only one (1) copy of this proxy statement/prospectus is being delivered to Harte Hanks stockholders residing at the same address, unless such Harte Hanks stockholders have notified Harte Hanks of their desire to receive multiple copies of the proxy statement/prospectus.

Harte Hanks will promptly deliver, upon written request, a separate copy of the proxy statement/prospectus to any Harte Hanks stockholder residing at an address to which only one (1) copy of such document was mailed. Requests for additional copies should be directed to Harte Hanks, Inc., Attn: Corporate Secretary / General Counsel, 1 Executive Drive, Suite 303, Chelmsford, MA 01824.

Solicitation of Proxies

The board of directors of Harte Hanks is soliciting the Harte Hanks stockholders' proxies in connection with the Harte Hanks Special Meeting. Harte Hanks has retained [_____] as proxy solicitor to assist with the solicitation of proxies in connection with the Harte Hanks Special Meeting. Star is responsible for the expenses incurred in connection with the printing and mailing of this proxy statement/prospectus. Harte Hanks may also request banks, brokers, trustees and other intermediaries holding shares of Harte Hanks Common Stock beneficially owned by others to send this document to, and obtain proxies from, the beneficial owners and may reimburse such record holders for their reasonable out-of-pocket expenses in so doing. Solicitation of proxies by mail may be supplemented by telephone and other electronic means, advertisements and personal solicitation by the directors, officers or employees of Harte Hanks. No additional compensation will be paid to Harte Hanks' directors, officers or employees for solicitation.

You should not send in any Harte Hanks stock certificates with your proxy card (or, if you are a beneficial owner, your voting instruction card). Stockholders will receive an election form from the payment agent with instructions for the surrender of stock certificates prior to the completion of the Merger.

Other Matters to Come Before the Harte Hanks Special Meeting

Harte Hanks management knows of no other business to be presented at the Harte Hanks Special Meeting, but if any other matters are properly presented to the meeting or any adjournments or postponements thereof, the persons named in the proxies will vote upon them in accordance with the board of directors of Harte Hanks' recommendations.

Assistance

If you need assistance in completing your proxy card, have questions regarding the Harte Hanks Special Meeting or would like additional copies of this proxy statement/prospectus, please contact Harte Hanks, Inc., Corporate Secretary / General Counsel, 1 Executive Drive, Suite 303, Chelmsford, MA 01824, telephone (512) 434-1100.

HARTE HANKS PROPOSALS

PROPOSAL 1: HARTE HANKS MERGER PROPOSAL

Pursuant to the Merger Agreement, Harte Hanks is asking Harte Hanks stockholders to approve the Merger Agreement. Harte Hanks stockholders should read this proxy statement/prospectus carefully and in its entirety, including the annexes, for more detailed information concerning the Merger Agreement and the transactions contemplated thereby. A copy of the Merger Agreement is attached to this proxy statement/prospectus as **Annex A**.

After careful consideration, the board of directors of Harte Hanks, by a unanimous vote of all directors, approved the Merger Agreement and determined that the Merger Agreement and the transactions contemplated thereby, including the Merger, are fair to, advisable, and in the best interests of Harte Hanks and Harte Hanks stockholders. Accordingly, the board of directors of Harte Hanks unanimously recommends that Harte Hanks stockholders vote “FOR” the approval of the Merger Agreement. Harte Hanks stockholders should carefully consider the information contained in the proxy statement, including the discussion entitled “The Merger - Harte Hanks’ Reasons for the Merger; Recommendation of Board of Directors of Harte Hanks” beginning on page 82 for a more detailed discussion of the board of directors of Harte Hanks’ recommendation.

The approval of the Harte Hanks Merger Proposal by Harte Hanks stockholders is a condition to the completion of the Merger.

Harte Hanks is not asking stockholders to vote on a separate proposal to approve one or more adjournments of the Harte Hanks Special Meeting. Under the Harte Hanks bylaws, the presiding officer of the Harte Hanks Special Meeting has authority to adjourn the meeting.

The board of directors of Harte Hanks unanimously recommends a vote “FOR” the Harte Hanks Merger Proposal.

PROPOSAL 2: THE NON-BINDING ADVISORY COMPENSATION PROPOSAL

Section 14A of the Exchange Act and Rule 14a-21(c) thereunder require Harte Hanks to submit to a separate stockholder advisory vote the compensation that may be paid or become payable to its named executive officers in connection with the Merger. Harte Hanks is asking Harte Hanks stockholders to approve, on an advisory (non-binding) basis, the compensation payable to Harte Hanks' named executive officers that is based on or otherwise relates to the Merger, as disclosed in the section titled "Interests of Harte Hanks Directors and Executive Officers in the Merger."

RESOLVED, that the stockholders of Harte Hanks, Inc. approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Harte Hanks' named executive officers in connection with the Merger, as disclosed pursuant to Item 402(t) of Regulation S-K under "Interests of Harte Hanks Directors and Executive Officers in the Merger" (which disclosure includes the Golden Parachute Compensation table and related narrative disclosures required pursuant to Item 402(t) of Regulation S-K).

The vote on this proposal is separate and apart from the vote to approve the Harte Hanks Merger Proposal. Approval of the Non-Binding Advisory Compensation Proposal is not a condition to completion of the Merger. If the Merger is completed, the merger-related compensation may be paid to Harte Hanks' named executive officers to the extent payable in accordance with the terms of the applicable compensation agreements and arrangements, even if Harte Hanks stockholders vote against the Non-Binding Advisory Compensation Proposal.

Approval of the Non-Binding Advisory Compensation Proposal requires the affirmative vote of a majority of the votes cast at the Special Meeting, provided a quorum is present. Abstentions, broker non-votes and failures to vote or submit a proxy will not be counted as votes cast and will have no effect on the outcome of the proposal.

The board of directors of Harte Hanks unanimously recommends a vote "FOR" the Non-Binding Advisory Compensation Proposal.

INFORMATION ABOUT THE COMPANIES

Star Equity Holdings, Inc.

Star Equity Holdings, Inc. is a multi-industry diversified holding company with four segments: Building Solutions, Business Services, Energy Services, and Investments. Star's Common Stock and Preferred Stock are listed on the Nasdaq Global Select Market exchange as "STRR" and "STRRP," respectively.

Star's Building Solutions segment is currently made up of the following operating businesses: KBS EdgeBuilder, and Glenbrook, with the latter two managed together and referred to jointly as EBGL, and Timber TT. KBS is based in Maine and manufactures modular buildings, typically in the single and multi-family residential segments, servicing principally the New England market. EBGL is based in the Minneapolis-Saint Paul area and principally serves the Upper Midwest region. EBGL manufactures and delivers structural wall panels for single and multi-family residential buildings, and other engineered wood-based products. EBGL also distributes building materials from two lumberyard locations primarily focused on professional builder customers. TT is based outside the Minneapolis-St. Paul area and manufactures glue-laminated timber products for various end markets and applications, including agriculture, industrial, infrastructure, and building construction (commercial and residential).

Star's Business Services segment, which consists of HTS, delivers customized recruitment and contracting solutions to mid-to-large multinational companies, including RPO, project-based RPO, contingent workforce solutions, recruitment consulting, outsourced professional contract staffing, and MSP services across eighteen countries across three geographic regions: the Americas, Asia Pacific, and Europe, Middle East, and Africa. Star Equity's RPO services include complete recruitment outsourcing, project-based outsourcing, contingent workforce solutions, and recruitment consulting for clients' permanent staff hires. RPO services leverage Star Equity's consultants, supported by Star Equity's specialists, in the delivery of its proprietary methods to identify, select, and engage the best-fit talent for critical client roles. In addition, Star Equity provides RPO clients with a range of outsourced professional contract staffing services and managed service provider services offered sometimes on a standalone basis and sometimes as part of a blended total talent solution. These services draw upon a combination of specialized recruiting and project management competencies to deliver a wide range of solutions. HTS RPO-employed professionals - either individually or as a team - are placed with client organizations for a defined period of time based on specific business needs of the client.

Star's Energy Services segment currently consists of ADT, a Wyoming and Texas based provider of drilling tools and services to the Energy industry, a key sector of the economy. ADT is a full-service downhole drilling tool company which provides sale and rental tools in the Oil & Gas, Geothermal, Mining, and Waterwells sectors. ADT is strategically located near premier oilfields in the Rockies, a geothermal and mining hub, and in Midland, TX within the Permian Basin. ADT's business model allows for the majority of costs, such as freight, repairs, and damages, to be passed directly to customers.

Star's Investments segment holds and manages certain of its own corporate-owned real estate, including a manufacturing facility in Maine that is leased to KBS and a manufacturing facility in Wisconsin that is leased to TT. In addition, the Investments segment manages internally funded, concentrated minority investments in a small number of public companies. It also holds and manages a promissory note and a private equity stake in Catalyst, a provider of medical imaging equipment and services. These interests were acquired in May 2023 as a result of the sale of Digirad Health.

As of June 30, 2026, Star had total consolidated assets of approximately \$108.2 million, total liabilities of approximately \$48.4 million and total consolidated stockholders' equity of approximately \$59.8 million.

Star's principal executive offices are located at 53 Forest Avenue, Suite 101, Old Greenwich, CT 06870, its phone number is (203) 489-9500 and its website is <https://www.starequity.com/>.

The information required by Item 14 of Form S-4, including a Description of Business, Description of Property, Legal Proceedings, Market Price of and Dividends on the Registrant's Common Equity, Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A), and the audited and unaudited financial statements and related notes required by Regulation S-X, is set forth in **Annex C** to this proxy statement/prospectus and is incorporated by reference herein.

Merger Sub

Merger Sub, a direct, wholly owned subsidiary of Star, is a Delaware corporation that was incorporated for the sole purpose of effecting the Merger. In the Merger, Merger Sub will merge with and into Harte Hanks, with Harte Hanks surviving as a direct, wholly owned subsidiary of Star and the separate corporate existence of Merger Sub will cease.

Merger Sub's principal administrative office is located at 53 Forest Avenue, Suite 101, Old Greenwich, CT 06870 and its phone number is (203) 489-9500.

Harte Hanks, Inc.

Harte Hanks, Inc., together with its subsidiaries ("**Harte Hanks**") is a global Business Experience Outsourcing company. Harte Hanks operates at the intersection of data, marketing, sales, customer care, fulfillment, and logistics integrating front office revenue growth and customer experience operations with back office execution to deliver measurable business outcomes. With offices in North America, Asia-Pacific and Europe, Harte Hanks serves leading global brands enabling them to design, activate and optimize the full customer and product lifecycle.

Harte Hanks is a leading customer and brand experience company operating in six service categories - data, marketing, sales, customer care, fulfillment and logistics. In and across these service categories, Harte Hanks addresses today's biggest growth and customer experience challenges for B2B and B2C businesses across the world in the new era of intelligence and artificial intelligence ("**AI**"), by being a modern journey enabler. These challenges Harte Hanks solves include:

- Grappling with data, AI and technology in a cookie-restricted digital environment;
- Growing awareness, demand and sales for products;
- Storing, fulfilling and delivering samples, kits, materials and products direct to the door of consumers, influencers or businesses;
- Delivering better customer experience and support across multiple channels; and
- Delivering effectively with tighter budgets and talent shortages.

Harte Hanks' clients need help enabling their journey to growth, to transformation, to customer centricity, to product success and to AI powered approaches and solutions to marketing, sales, fulfillment and customer care. At the core of how Harte Hanks addresses this is a concentration on its clients' key audiences - prospects, customers, patients, members, partners, employees and influencers - and how Harte Hanks helps align its clients' brands and products to these different audiences along journeys. This includes the product journey, e.g., product innovation, build, strategy, launch, sell, deliver, support and recall and the customer journey, e.g., how customers become aware of their needs, how they buy, making the purchase, using the product or service, advocacy and renewal. Harte Hanks is focused on helping its clients better understand, engage, acquire, deliver to, service, support and retain these audiences. Harte Hanks starts by understanding and architecting the journey in focus, and then enables, delivers and manages some or all aspects along this journey. Harte Hanks' alignment of customers and products on behalf of brands along the entire lifecycle distinguishes it from most other agencies and competitors in its service categories.

Harte Hanks offers a uniquely diverse range of services and solutions in and across its service categories to businesses in the following industries:

- B2B Technology & Services including cloud, SaaS, hardware, software, semiconductors, health technology, fintech, electronics, distributors and telecommunications
- Healthcare, Pharmaceuticals & Health Insurance
- Consumer Products including health, well-being and beauty; consumer tech/electronics; domestic appliances
- Travel, Hospitality, Streaming & Entertainment
- QSRs (Quick Service Restaurants)
- Financial Services and Fintech
- Automotive
- Retail

Harte Hanks works in partnership with its clients to provide them with: data-driven analytics and actionable insights from research; robust customer-experience (“CX”), marketing or sales strategies; and the data, content & technology to enable delivery. Harte Hanks then combines these insights with seamless program execution, fulfillment, service and delivery on a project or ongoing service basis to meet its clients’ goals. In essence Harte Hanks offers services along the customer & product lifecycle - from Data to Demand, to Deal, to Delivery, and everything in between.

Operationally, starting in 2024, Harte Hanks’ services are organized into three business units that span the end to end customer and product lifecycles:

- Data, marketing, demand generation and managed marketing services (“**Revenue Solutions**”)
- Customer Care
- Fulfillment & Logistics

Data, Marketing, Demand Generation and Managed Marketing Services (Revenue Solutions)

Harte Hanks helps its clients determine, detect and activate their audiences through traditional, digital, and emerging channels. Harte Hanks provides full service multi-channel marketing from strategy to campaign execution. This includes the support of its customers’ sales teams in their continued pursuit of excellence, delivering specialized outsourcing, optimization, lead nurturing and messaging development services to global and national partners. Harte Hanks leverages data, insights, technology, and award-winning creative solutions to meet and exceed its clients’ business objectives and optimize its clients’ return on investment.

Harte Hanks’ key offerings in this business unit include:

- *Data & Analytics* – In-depth data and analytics including audience identification, profiling, segmentation and prioritization, predictive modeling and data strategy. Harte Hanks provides data hygiene and cleansing to ensure the best possible results. Harte Hanks accesses broad first-party and third-party data sources, search and social media, and research through syndicated, primary and secondary sources, and Harte Hanks leverages its proprietary DataView tool, a comprehensive, aggregate data mart for B2C (USA) and B2B (Global) that provides a 360-degree customer view, with over 1,500 attributes enabling accurate predictive marketing to its clients. Harte Hanks also offers a unique intent data solution called Audience Finder for detecting in-market prospects.

- *Research & Intelligence* – Primary and secondary research to help its clients understand their customers, category, competitors and capabilities, either as a standalone deliverable or to inform the development of strategies for campaigns and programs.

- *Strategy* – Provide strategic guidance to help clients efficiently and effectively plan and execute omnichannel marketing, demand generation and customer experience programs that deliver business results. Harte Hanks leverages data and insights to enhance its clients’ understanding of their consumers, competitors and category dynamics, then applies those insights to develop the strategies to fuel activities such as customer acquisition, engagement, purchase behavior, loyalty and advocacy. Harte Hanks’ expertise spans the range of strategies including targeting, Go-To-Market, commercial, product launch, customer experience, campaign, content, ABM (Account Based Marketing) and demand strategy.

- *Creative & Content* - Full-service creative and content design, development and execution spanning traditional and digital channels, including creative concepts, messaging and content assets for print, broadcast, direct mail, website, app, display, social, mobile, search engine marketing, and voice.

- *Marketing Technology* – Website and app development, e-commerce development and enablement, database building and management, platform architecture creation, and marketing automation to serve as the foundation for digital and multi-channel marketing execution.

- *Digital and Multi-channel Marketing Execution & Advertising* – Orchestration and execution of programs and campaigns across multiple channels, territories and audiences, using data, strategies, content and Marketing technology, or “MarTech,” provided either by Harte Hanks or by its clients. Setup and management of digital advertising programs and campaigns across the latest advertising channels (e.g., Google, Meta, LinkedIn, TikTok) and platforms (DSPs, ABM advertising, industry networks).

- *Demand Generation and ABM* – Providing intelligence-based B2B solutions that understand audiences and their behaviors, and then inspire and drive action to deliver results. These solutions help companies understand which accounts, sectors and persons to target, and then generate marketing qualified leads (“**MQs**”) and pipelines for their marketing and sales team, through combining data, strategy, content, MarTech and digital/multi-channel execution.

- *Managed Marketing Services* – Also referred to as “Marketing as a Service”. A flexible outsourcing marketing operations solution, that works as a highly integrated extension of a client’s own marketing function by blending the best of agency and business outsourcing processes and capabilities. Marketing as a Service operationalizes, manages and delivers some or all of: data operations, marketing technology, analytics, demand generation, and staff augmentation.

- *Inside Sales Outsourcing* – Combining best-in-class analytics, accomplished sales professionals and full-cycle experimentation Harte Hanks provides B2B enterprises, and Small to Midsized Businesses with a fully outsourced sales service, that can work alongside or in lieu of an internal sales function.

- *Lead Generation* – Combining data, lead generation resources and technology, Harte Hanks provides turnkey lead generation and development that converts interested or good fit prospects into leads for sales to qualify, nurture and sell to.

- *Sales Play Development* – Designing sales plays and cadences to enable sales teams to find, plan, engage, nurture and convert prospects into sales opportunities.

Customer Care

Harte Hanks’ customer care services are customized to meet the needs of its partners’ customer, helping them attract new buyers and turn existing patrons into loyal brand advocates. Harte Hanks supports its clients by addressing their end customers’ urgent needs, navigating an increasingly-complex technology landscape, and integrating AI technology and automation — while maintaining a fierce devotion to reducing customer effort, for the benefit of both the business and the buyer. This approach to “effortless customer experience” not only drives better service results but is also designed to lower its clients’ operational costs.

Harte Hanks’ global, omnichannel delivery model is focused on providing its clients three key services:

- *Customer Service Outsourcing* – Harte Hanks’ accomplished customer care associates interact and resolve consumer queries and complaints across hardware and software platforms, healthcare benefit plans, product recalls and/or a myriad of other customer service issues. Harte Hanks leverages technology to help reduce customer effort while providing a human touch to increase customer satisfaction.
- *Customer Care Technology and AI Transformation* – Harte Hanks’ solution services teams configures various CRM solutions (e.g., Salesforce, Zendesk) and channel /AI technology including Amazon Connect to create meaningful customer interactions by connecting content between agent, AI-driven interfaces and web-based self-help tools and community forums.
- *Self-Service Technology* – Harte Hanks provides and maintains self-service solutions through Interactive Voice Response (“IVR”), Help Centers, online, and via apps and channel technology.

Harte Hanks also analyzes a significant amount of aggregated data obtained from customer interactions on behalf of its clients. Harte Hanks leverages information gained from this analysis and end customer-driven feedback to drive efficiencies, provide insights on predictive behaviors that lead to lower customer churn and help its clients innovate their core product offerings and develop innovative product features.

Fulfillment & Logistics Services

Harte Hanks’ fulfillment and logistics services are designed to meet the diverse and dynamic needs of businesses across industries, ensuring that products, promotional materials, and essential items are delivered efficiently, accurately, and on time. Harte Hanks fulfillment unlocks critical sales enablement, value-added product fulfillment, and eCommerce channels for its clients. Harte Hanks logistics supports the supply chain needs of its clients in everything from time-sensitive deliveries to full scale supply chain management. By leveraging its modern infrastructure, advanced technology, and industry expertise, Harte Hanks helps its clients streamline their operations, enhance customer experience, and optimize cost efficiencies. Harte Hanks supports enterprise-level supply chain management, executes precise time-sensitive deliveries, and enables eCommerce scalability.

End to End Product, Print-On-Demand, and Mail Fulfillment Services

Harte Hanks’ extensive fulfillment capabilities include:

- *Print-On-Demand & Literature Distribution* – Harte Hanks facilitates the seamless production and distribution of marketing materials, sales collateral, and product literature, ensuring businesses can effectively engage with customers, prospects, and partners.
- *Promotional & Branded Product Distribution* – Harte Hanks manages and distributes promotional products, trade show materials, and corporate gifts to enhance brand awareness and customer engagement.
- *Custom Kitting & Event Fulfillment* – Harte Hanks’ curated kitting solutions support corporate events, influencer marketing programs, employee appreciation campaigns, and conference giveaways, ensuring that clients can create impactful brand experiences.
- *Product Recall Management* – Harte Hanks assists in efficient product recalls, ensuring regulatory compliance, customer safety, and brand reputation protection.

● *Temperature-Controlled & FDA-Registered Fulfillment Centers* – Harte Hanks has strategically located fulfillment centers across the United States, that provide temperature-controlled storage and are FDA-registered to handle sensitive products such as:

- Nutritional supplements, medical foods, and baby formulas
- Chocolates, coffee, tea, snack foods, nuts, and seeds
- Pet food, treats, and nutritional supplements

● *Scalable Global Fulfillment* – Harte Hanks’ fulfillment network spans the U.S., with capabilities in Europe and additional support from regional logistics partners that ensure efficient international product distribution.

Through its upgraded order management platform, Harte Hanks can now streamline order processing, facilitate seamless integration with various data sources and eCommerce platforms, and ensure real-time visibility into inventory and shipment status.

Third-Party Logistics & Freight Optimization

Harte Hanks logistics services help businesses achieve supply chain excellence by ensuring efficient transportation, freight optimization, and timely product delivery. Harte Hanks’ logistics expertise enables businesses to reduce costs, improve delivery speed, and optimize their supply chain operations—whether managing individual shipments or full-scale supply chain management. Harte Hanks’ comprehensive logistics solutions include:

- *Nationwide & Regional Shipping* – Harte Hanks facilitates the shipping of millions of time-sensitive materials annually, leveraging its nationwide logistics network.
- *Certified Fleet & Expedited Shipping* – With access to a contracted fleet of over 15,000 trucks, Harte Hanks provides clients with scalable third-party logistics (3PL) services tailored to their needs.
- *Allink®360: Proprietary Logistics Technology* – Harte Hanks’ proprietary rate-shopping system, Allink 360, optimizes freight costs and delivery timelines, ensuring shipments arrive on time and within budget.
- *Flexible & Scalable Logistics Solutions* – Harte Hanks offers customized logistics solutions designed to accommodate businesses of all sizes, from startups to Fortune 500 enterprises.

Client Relationship

Harte Hanks is known for helping clients build deep customer relationships, create connected customer experiences, and optimize each and every customer touch point in order to deliver desired business outcomes. Realizing Harte Hanks’ clients’ success is the only valid measure of Harte Hanks’ own success. Harte Hanks ensures all its efforts are aligned with its clients’ business objectives and measured against defined performance metrics. It is this commitment to its clients and their businesses that allows Harte Hanks to build meaningful relationships with them. Harte Hanks’ client engagements may consist of one or a few of Harte Hanks’ service offerings – with a goal toward continuously expanding its relationships. Harte Hanks provides cross-service client management along with continuous business reviews to ensure its clients receive value from our partnerships.

Use of Subcontractors

Certain segments of Harte Hanks’ business rely on subcontractors and other third parties to provide a portion of Harte Hanks’ overall services in certain engagements. Over the years Harte Hanks has established strong relationships with subcontractors that translate into high level service and favorable prices for its customers.

Restructuring Activities

Harte Hanks' management team continuously reviews and adjusts its cost structure and operating footprint to optimize its operations, and invest in improved technology. The program named "Project Elevate" involved the optimization and rationalization of its business resources as well as the partial reinvestment of savings into Harte Hanks' sales and marketing team, technology, and strategy. Reorganization cost reductions from Project Elevate during 2024 through 2025 were estimated to be \$16.0 million. In connection with its cost-saving and restructuring initiatives, Harte Hanks incurred total restructuring charges of \$1.8 million and \$2.4 million in 2025 and 2024, respectively. This program has resulted in ongoing cost optimization and rationalization initiatives across the organization.

Customers

Harte Hanks' clients include large multinational enterprises, small and medium-sized businesses and government organizations. Harte Hanks' largest client in terms of revenue generated 10.5% of total revenues in 2025. Harte Hanks' largest 25 clients in terms of revenue generated 68.3% of total revenue in 2025. Harte Hanks' clients span a wide range of industries including but not limited to retail, travel, streaming, healthcare, financial services, and technology, which reduced the concentration risk of Harte Hanks in any one sector. Harte Hanks generally enters into long-term contracts with its clients ranging in duration from one to three years. Most of its contracts do not require its customers to purchase a minimum amount of services from Harte Hanks. In general, Harte Hanks' contracts with our customers are terminable on short notice with little or no penalty payable on termination.

Sales and Marketing

Harte Hanks operates a modern sales and marketing growth engine to generate awareness, create demand and convert this demand into new business, as well as support existing client growth and retention. As a B2B services company Harte Hanks practices the marketing and sales methodology and tactics it offers to its clients, including ABM, demand generation, content marketing, inside sales and enterprise sales. Harte Hanks also leverages partnerships to extend its reach and broaden its solutions.

For marketing, Harte Hanks leverages a combination of corporate marketing resources, marketing services resources and a modern MarTech stack including CRM, content management, SEO/digital advertising tools to support targeting, account-based marketing, demand creation and awareness.

For sales, Harte Hanks relies on its enterprise and solution sellers, combined with an internal sales team, to sell its products and services to new clients and task its employees supporting existing clients to expand its client relationship through additional solutions and products. Harte Hanks has expanded its sales team coverage internationally to support its global client and prospect network. Its sales force sells a variety of solutions and services to address its clients' cross-selling targeted marketing needs. Harte Hanks also maintains solution-specific experts in its sales force and sales groups to sell it individual products and solutions, with expertise by target industries including B2B, Health and B2C.

Harte Hanks had 12 employees in our corporate sales and marketing function as of December 31, 2025.

Competition

Harte Hanks' competition comes from local, national, and international marketing, advertising, customer care, print fulfillment, smaller 3PL, logistics companies, and internal client resources, against whom it competes for individual projects, entire client relationships, and marketing expenditures. The principal competitive factors in Harte Hanks' industry are the breadth, depth and quality of service offerings, technical and strategic expertise, the perceived value of the services provided, reputation, pricing, and brand recognition. Harte Hanks also competes against social, mobile, web-based, email, print, broadcast, and other forms of advertising for marketing and advertising dollars in general.

Furthermore, competition may begin to emerge as a result of the availability of in-house information technology solutions that can replicate some of Harte Hanks' services. Harte Hanks expects its clients to continue to improve their information technology systems and offerings and, in some circumstances, move the services Harte Hanks provides in-house.

Seasonality

Some of Harte Hanks' revenue streams tend to be higher in the fourth quarter than in other quarters during a given year. This increased revenue is a result of overall increased activity prior to the holiday season in the retail vertical, and due to the open enrollment period in the healthcare vertical.

As of June 30, 2026, Harte Hanks had total consolidated assets of approximately \$88.1 million, total liabilities of approximately \$72.7 million and total consolidated stockholders' equity of approximately \$15.4 million.

Harte Hanks' principal executive offices are located at 1 Executive Drive, Chelmsford, MA 01824, its phone number is (512) 434-1100 and its website is <https://www.hartehanks.com>.

The information required by Item 17 of Form S-4, including a Description of Business, Description of Property, Legal Proceedings, Market Price of and Dividends on the Registrant's Common Equity, Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A), and the audited and unaudited financial statements and related notes required by Regulation S-X is set forth in **Annex D** to this proxy statement/prospectus and is incorporated by reference herein.

Beneficial Ownership of Common Stock by Principal Stockholders and Management

The information contained herein has been obtained from Harte Hanks' records and from information furnished directly to Harte Hanks by each individual or entity. Applicable percentage ownership in each of the tables is based on [] shares of Harte Hanks Common Stock outstanding as of [], 2026, the Record Date for the Harte Hanks Special Meeting. Except as otherwise indicated in the footnotes to the table, the beneficial owners listed have sole voting and investment power as to all of the shares beneficially owned by them (or, where applicable, shared power with such individual's spouse). As used herein, "voting power" is the power to vote or direct the voting of shares, and "investment power" is the power to dispose or direct the disposition of shares. Beneficial ownership is determined in accordance with Rule 13d-3 under the Exchange Act; however, the inclusion of shares in the table below will not be deemed an admission of beneficial ownership of all the reported shares for any purpose. Except as otherwise indicated, the address for each stockholder listed in the table below is c/o Harte Hanks, Inc., 1 Executive Drive, Suite 303, Chelmsford, MA 01824.

The following table sets forth, as of the Record Date, the beneficial ownership of Harte Hanks Common Stock by: (i) each Harte Hanks director; (ii) each Harte Hanks named executive officer; (iii) all Harte Hanks directors and executive officers as a group; (iv) each person known by Harte Hanks to beneficially own more than 5% of Harte Hanks Common Stock; and (v) Star and its affiliates, if any, that beneficially own Harte Hanks Common Stock as of the Record Date.

Name and Address of Beneficial Owner ⁽¹⁾⁽²⁾	Title of Class	Amount and Nature of Beneficial Ownership	Percent of Class
<i>Named Executive Officers⁽⁵⁾</i>			
David Fisher	Common Stock	18,790	*
David A. Garrison	Common Stock	21,462	*
Robert Wyman (former General Counsel) ⁽³⁾	Common Stock	27,217	*
<i>Directors</i>			
John H. Griffin, Jr.	Common Stock	209,820	2.8%
Genevieve C. Combes	Common Stock	26,283	*
Bradley L. Radoff ⁽⁴⁾	Common Stock	423,447	5.7%
Elizabeth Ross	Common Stock	12,048	*
<i>All current directors and executive officers as a group (6 persons)⁽⁵⁾</i>			
		711,880	9.6%
<i>5% Holders</i>			
William Blair & Company, L.L.C. ⁽⁶⁾	Common Stock	660,845	8.9%
Houston H. Harte (Estate of) ⁽⁷⁾	Common Stock	660,816	8.9%
Gary S. Rosenbach and Susan Rosenbach ⁽⁸⁾	Common Stock	2,118,635	28.4%

*less than 1%.

(1) The address of (a) William Blair & Company LLC is 150 North Riverside Plaza, Chicago, IL 60606, (b) Houston H. Harte is P.O. Box 17424, San Antonio, TX 78217, and (c) each other beneficial owner is c/o Harte Hanks, Inc., 1 Executive Drive, Suite 303, Chelmsford, MA 01824.

- (2) Includes shares that may be acquired upon the exercise of options that are exercisable within 60 days of the Record Date; excludes shares subject to options that will not vest or become exercisable within 60 days of the Record Date.
- (3) The amount of shares and associated percentage is based solely on information available to Harte Hanks as of December 22, 2025, the last day of Mr. Wyman's employment with Harte Hanks.
- (4) Mr. Radoff directly owns 403,447 shares of Harte Hanks' common stock and indirectly owns (through his IRA) 20,000 shares of Harte Hanks' common stock. Information relating to this stockholder is based on the amendment to the stockholder's Schedule 13D, filed with the SEC on December 6, 2024, and stock transactions that Mr. Radoff informed Harte Hanks of since that time.
- (5) This group includes Harte Hanks' current directors and executive officers as of March 26, 2026 and excludes Harte Hanks' former Chief Executive Officer, Kirk Davis, whose last day of employment with Harte Hanks was February 14, 2025, and Harte Hanks' former General Counsel, Robert Wyman, whose last day of employment with Harte Hanks was December 22, 2025.
- (6) Represents 660,845 shares of Harte Hanks' common stock held by William Blair & Company, L.L.C., in its capacity as investment adviser, to clients who have granted discretionary authority to dispose of or direct the disposition of the shares to William Blair & Company, L.L.C. Those clients have the right to receive, or the power to direct the receipt of, dividends from, or the proceeds from the sale of, such securities. Information relating to this stockholder is based on Amendment No. 4 to the stockholder's Schedule 13G, filed with the SEC on February 12, 2024.
- (7) Represents 660,816 shares of Harte Hanks' common stock held in the Harte Management Trust, over which Houston H. Harte, Carolyn Harte and Sarah Harte share voting and dispositive power. Information relating to this stockholder group is based on Amendment No. 3 to such group's Schedule 13D, filed with the SEC on March 29, 2019.
- (8) Gary S. Rosenbach ("**Mr. Rosenbach**") beneficially owns 2,118,635 shares of Harte Hanks' common stock which is comprised of: (i) 1,464,762 shares of common stock which Mr. Rosenbach and his spouse own jointly, (ii) 116,441 shares of common stock held in family trusts for which each of Mr. Rosenbach and his spouse serve as a trustee, (iii) 532,562 shares of common stock held in the retirement account of Mr. Rosenbach and (iv) 4,870 shares of common stock held in the retirement account of Mr. Rosenbach's spouse. Information relating to this stockholder is based on the Form 4, filed with SEC on March 30, 2025.

Recent Developments

On August 14, 2026, Star filed its Quarterly Report on Form 10-Q for the period ended June 30, 2026, and the unaudited financial statements contained therein. Also on August 14, 2026, Harte Hanks filed its Quarterly Report on Form 10-Q for the period ended June 30, 2026, and the unaudited financial statements contained therein. The discussion below presents highlights of the unaudited preliminary results of operations and financial condition as of and for the periods indicated. The financial information from each of Star and Harte Hanks constitutes preliminary financial results and is not a comprehensive statement of their respective financial results as of and for such period and has not been audited by their respective independent registered public accounting firm.

The following should be read in conjunction with each of Star's and Harte Hanks' consolidated financial statements and related notes, as well as management's discussion and analysis of financial condition and results of operations, included or incorporated by reference herein, as well as the sections entitled "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors" in this proxy statement/prospectus and any other documents included in the annexes hereto.

Star Results at and for the Second Quarter and Six Months Ended June 30, 2026

On August 14, 2026, Star filed its Quarterly Report on Form 10-Q for the quarter ended June 30, 2026. Star reported a net loss attributable to common shareholders of \$2.5 million, or \$0.66 per basic and diluted share, for the quarter ended June 30, 2026, compared to a net loss of \$0.7 million, or \$0.23 per basic and diluted share, for the quarter ended June 30, 2025. For the six months ended June 30, 2026, Star reported a net loss attributable to common shareholders of \$6.8 million, or \$1.84 per basic and diluted share, compared to a net loss of \$2.4 million, or \$0.82 per basic and diluted share, for the six months ended June 30, 2025.

Total revenues increased to \$54.9 million for the quarter ended June 30, 2026 from \$35.5 million for the quarter ended June 30, 2025. For the six months ended June 30, 2026, total revenues increased to \$105.0 million compared to \$67.4 million for the same period in 2025. Gross profit increased to \$22.8 million for the quarter ended June 30, 2026 from \$18.6 million for the quarter ended June 30, 2025. For the six months ended June 30, 2026, gross profit increased to \$43.4 million compared to \$35.0 million for the corresponding period in 2025.

Operating expenses increased to \$24.2 million for the quarter ended June 30, 2026 from \$18.8 million for the quarter ended June 30, 2025. For the six months ended June 30, 2026, operating expenses increased to \$48.7 million compared to \$37.0 million for the corresponding period in 2025. As a result, Star reported an operating loss of \$1.4 million for the quarter ended June 30, 2026, compared to an operating loss of \$0.2 million for the quarter ended June 30, 2025, and an operating loss of \$5.4 million for the six months ended June 30, 2026, compared to an operating loss of \$1.9 million for the six months ended June 30, 2025.

Star's total assets were \$108.2 million as of June 30, 2026, compared to \$113.2 million as of December 31, 2025. Cash and cash equivalents were \$6.8 million as of June 30, 2026, compared to \$10.3 million as of December 31, 2025. Total stockholders' equity was \$59.8 million as of June 30, 2026, compared to \$65.7 million as of December 31, 2025.

For the six months ended June 30, 2026, net cash used in operating activities was \$3.1 million, compared to \$0.7 million used in operating activities for the corresponding period in 2025. As of June 30, 2026, Star had \$9.0 million of short-term debt and \$5.1 million of long-term debt, compared to \$8.5 million of short-term debt and \$6.1 million of long-term debt as of December 31, 2025.

Harte Hanks Results at and for the Second Quarter and Six Months Ended June 30, 2026

On August 14, 2026, Harte Hanks filed its Quarterly Report on Form 10-Q for the quarter ended June 30, 2026.

Harte Hanks reported a net loss of \$5.0 million, or \$0.67 per basic and diluted share, for the quarter ended June 30, 2026, compared to a net loss of \$0.3 million, or \$0.05 per basic and diluted share, for the quarter ended June 30, 2025. For the six months ended June 30, 2026, Harte Hanks reported a net loss of \$5.6 million, or \$0.76 per basic and diluted share, compared to a net loss of \$0.7 million, or \$0.10 per basic and diluted share, for the six months ended June 30, 2025.

Revenue was \$38.0 million for the quarter ended June 30, 2026, compared to \$38.6 million for the quarter ended June 30, 2025. For the six months ended June 30, 2026, revenue was \$75.2 million, compared to \$80.2 million for the corresponding period in 2025. Operating expenses increased to \$42.5 million for the quarter ended June 30, 2026 from \$38.6 million for the quarter ended June 30, 2025, and increased modestly to \$80.5 million for the six months ended June 30, 2026 from \$80.2 million for the corresponding period in 2025.

As a result, Harte Hanks reported an operating loss of \$4.5 million for the quarter ended June 30, 2026, compared to operating income of less than \$0.1 million for the quarter ended June 30, 2025. For the six months ended June 30, 2026, Harte Hanks reported an operating loss of \$5.3 million, compared to an operating loss of less than \$0.1 million for the corresponding period in 2025.

Total assets were \$88.1 million as of June 30, 2026, compared to \$91.8 million as of December 31, 2025. Cash and cash equivalents and restricted cash were \$5.2 million as of June 30, 2026, compared to \$5.6 million as of December 31, 2025. Total stockholders' equity was \$15.4 million as of June 30, 2026, compared to \$20.5 million as of December 31, 2025.

For the six months ended June 30, 2026, net cash used in operating activities was \$2.6 million, compared to \$5.7 million used in operating activities during the corresponding period in 2025. Capital expenditures during each of the six months ended June 30, 2026 and 2025 were approximately \$0.3 million. As of June 30, 2026, Harte Hanks had \$3.0 million of short-term debt and no long-term debt, compared to no debt outstanding as of December 31, 2025.

Comparative Market Value of Harte Hanks Common Stock and Star Preferred Stock

The following table compares: (i) the historical market price of Harte Hanks Common Stock, (ii) the historical market price of Star Preferred Stock; and (iii) the implied value of the Preferred Stock Consideration, in each case based upon closing trading prices on August 13, 2026, the last trading day before public announcement of the Merger Agreement.

	Historical Market Price Per Share	Equivalent Per Harte Hanks Share
Harte Hanks Common Stock	\$ 2.81	N/A
Star Preferred Stock	\$ 10.14	N/A
Preferred Stock Consideration (0.50 share of Star Preferred Stock)	N/A	\$ 5.07

The value of the Preferred Stock Consideration will fluctuate based on the market price of Star Preferred Stock. Accordingly, the value of the Preferred Stock Consideration at the Effective Time may be greater or less than the value reflected in the table above. Because the aggregate amount of cash payable in the Merger is capped at \$19.2 million and elections are subject to proration, Harte Hanks stockholders may receive a different form of consideration than elected.

THE MERGER

This section of the proxy statement/prospectus describes material aspects of the Merger. This summary may not contain all of the information that is important to you. You should carefully read this entire proxy statement/prospectus and the other documents we refer you to for a more complete understanding of the Merger. In addition, Star incorporates important business and financial information into this document by reference. You may obtain the information incorporated by reference into this document without charge by following the instructions in the section entitled “Where You Can Find More Information” beginning on page 135.

Terms of the Merger

Each of Star’s and Harte Hanks’ respective boards of directors have approved the Merger Agreement. The Merger Agreement provides that, pursuant to the terms and subject to the conditions set forth in the Merger Agreement, Merger Sub will merge with and into Harte Hanks, with Harte Hanks continuing as the Surviving Corporation and becoming a wholly owned subsidiary of Star.

Upon the terms and subject to the conditions of the Merger Agreement, at the Effective Time, each share of Harte Hanks Common Stock issued and outstanding immediately before the Effective Time, other than shares held by Harte Hanks, Star, Merger Sub or certain of their wholly owned subsidiaries, will be converted into the right to receive, at the election of the holder and subject to the proration procedures described below, either: Cash Consideration of \$5.00 per share, without interest; or Preferred Stock Consideration of 0.50 shares of Star’s Preferred Stock, subject to adjustment.

Harte Hanks stockholders may elect to receive Cash Consideration, Preferred Stock Consideration or a combination of both for their shares, including by electing Cash Consideration for some shares and Preferred Stock Consideration for others, subject to the proration procedures set forth in the Merger Agreement. Shares for which no valid election is made, or for which an election is revoked or deemed lost, will be treated as non-electing shares. If aggregate cash elections are less than the Maximum Cash Amount available under the Merger Agreement, Star will determine whether non-electing shares receive Cash Consideration, Preferred Stock Consideration or a combination of both. If aggregate cash elections exceed the Maximum Cash Amount, non-electing shares will receive Preferred Stock Consideration, and holders making cash elections will receive a prorated combination of Cash Consideration and Preferred Stock Consideration. The aggregate cash payable in the Merger, including cash payable in respect of certain Harte Hanks equity awards and cash paid in lieu of fractional shares of Star Preferred Stock, may not exceed \$19,200,000.

If aggregate cash elections are less than \$19,200,000, cash-electing stockholders will receive Cash Consideration and preferred-stock-electing stockholders will receive Preferred Stock Consideration. Harte Hanks shares for which no valid election has been made may be converted, at Star’s election, into Cash Consideration, Preferred Stock Consideration or a combination of both, subject to the \$19,200,000 cap. If aggregate cash elections exceed \$19,200,000, each cash-electing share will be converted into a prorated portion of the Cash Consideration and Preferred Stock Consideration for the remaining portion of that share; all Preferred-Stock-electing shares and non-electing shares will receive Preferred Stock Consideration.

No fractional shares of Star Preferred Stock will be issued in the Merger. Instead, a holder otherwise entitled to a fractional share will receive cash, without interest, equal to the fractional share multiplied by \$10.00. The Merger Consideration is subject to customary adjustment for specified changes in Harte Hanks Common Stock, including stock splits, reverse stock splits, stock dividends, recapitalizations and similar events occurring after the date of the Merger Agreement and before the Effective Time.

Harte Hanks stockholders are being asked to approve the Harte Hanks Merger Proposal. The affirmative vote of the holders of a majority of the voting power of the outstanding shares of Harte Hanks Common Stock entitled to vote on the Merger is the only stockholder vote required to adopt the Merger Agreement and consummate the Merger. Stockholders will also be asked to vote on the Non-Binding Advisory Compensation Proposal, but that advisory vote is separate and apart from the Harte Hanks Merger Proposal and is not a condition to completion of the Merger. See the section entitled “The Merger Agreement” beginning on page 98 for additional and more detailed information regarding the legal documents that govern the Merger, including information about the conditions to completion of the Merger and the provisions for terminating or amending the Merger Agreement.

Background of the Merger

The terms of the merger agreement are the result of arm’s-length negotiations between representatives of Harte Hanks and Star. The following is a summary of the events leading up to the signing of the merger agreement and key meetings, negotiations, discussions and actions taken among Harte Hanks, Star, and their respective advisors that preceded the public announcements of the merger; it does not purport to catalogue every conversation or interaction among representatives of Harte Hanks, Star and other parties.

The board of directors of Harte Hanks and Harte Hanks’ management team regularly review Harte Hanks’ operating results, capital structure, future growth opportunities and competitive position in its markets. These reviews have included consideration by the board of directors of Harte Hanks and Harte Hanks’ management team and, from time to time, discussions with outside financial advisors and other industry participants of various potential strategic transactions, as well as ongoing initiatives aimed at enhancing stockholder value, strengthening Harte Hanks’ financial and liquidity position, increasing its cash flows and growing its business organically, to prepare for and respond to changing market forces and resulting business risks and uncertainties in its markets.

Pre-2025 Activities

In November 2019 and June 2020, Harte Hanks was approached by a party referred to as “Company A” and a party referred to as “Company B” who made offers to purchase the Harte Hanks Contact Center division (the call centers). Harte Hanks signed an exclusivity arrangement with Company B with an initial expiration date of August 2020 following these overtures. Because of an upturn in call center business, the discussions with Company B terminated in September 2020. Following these discussions, Harte Hanks retained an investment banker, on December 7, 2020, to support Harte Hanks with various strategic alternatives. From time to time, this investment banker vetted early discussions to sell business units of Harte Hanks (for example, in July 2021, another inquiry about a purchase of the call centers was received by Harte Hanks’ investment bank that was never followed by a formal offer).

Harte Hanks returned to a national exchange on November 30, 2021 (NASDAQ) and obtained a \$25 million revolving line of credit from Texas Capital Bank in December 2021.

An unsolicited offer to buy Harte Hanks was made in January 2022 by a party referred to as “Company C”. In response to the offer, the board of directors of Harte Hanks created a committee of non-management directors called the Special Transaction Committee and sought advice from an outside financial advisor and its internal and external counsel. The discussions with this potential acquirer ended shortly thereafter without action by the board of directors of Harte Hanks.

Coincidentally, also in February 2022, John H. Griffin, Jr., Chairman of the board of directors of Harte Hanks, met Jeffrey E. Eberwein, Star’s current Chief Executive Officer. The two discussed overlaps between Harte Hanks’ operations and Star’s businesses. On March 28, 2022, Harte Hanks was informed by Mr. Eberwein, after consultation with the Star Board of Directors, that any transaction between the companies would not occur for the foreseeable future, but from that time on, the two set up occasional meetings to discuss topics of common interest.

Later that year, on December 1, 2022, Harte Hanks acquired InsideOut Solutions, LLC, for \$7.5 million in cash and HHS stock, and simplified its corporate structure by repurchasing from Wipro, LLC all of Harte Hanks’ Series A Convertible Preferred Shares for cash and HHS stock.

Efforts by Harte Hanks to simplify its financial structure continued into 2024 with Harte Hanks paying \$5.1 million and transferring \$71.9 million in pension assets to the diversified insurance and financial services company Nationwide to finalize the termination of a Qualified Pension Plan as of August 1, 2024. Harte Hanks selected David A. Garrison as its Chief Financial Officer and David Fisher as its Chief Transformation Officer in January 2024.

Initial Divestiture Efforts

On January 13, 2025, Harte Hanks received an unsolicited offer from a party referred to as “Company D” to invest in, or take private, Harte Hanks. In response, Harte Hanks re-convened meetings of its Special Transaction Committee, with Bradley Radoff as its Chairman, and agreed to retain a new investment advisor and outside counsel to evaluate the Company D offer. The Special Transaction Committee’s primary function was to manage the investment advisor and outside counsel and the due diligence process; it was not authorized to negotiate the terms of a strategic transaction without further authorization from the board of directors of Harte Hanks, and any definitive agreement remained subject to approval by the board of directors of Harte Hanks. Company D’s proposal contemplated a commitment of up to \$15 million in a new convertible preferred offering at a 20% premium or a common equity offering at the current stock price to sponsor a \$40 million self-tender (assuming up to \$25 million of additional leverage) at a 20% premium to the then-current stock price, following which Harte Hanks could delist its common stock. Stockholders who did not tender would have remained stockholders of Harte Hanks.

On January 28, 2025, Harte Hanks announced that Kirk Davis had stepped down for personal reasons as Harte Hanks’ Chief Executive Officer, and that Mr. Fisher, Harte Hanks’ Chief Transformational Officer, would serve as interim Chief Operating Officer.

On February 14, 2025, Harte Hanks informed Company D that because of its recent Chief Executive Officer transition, it would like to defer discussions to the near future.

The overture led Harte Hanks to focus on potential transformative transactions with greater focus. On February 17, 2025, Harte Hanks formally retained a new financial advisor (the “**Wilson Financial Advisor**”) for a divestiture transaction named “Project Wilson,” which contemplated a sale of the Harte Hanks fulfillment and logistics businesses.

From February 2025 to July 2025, Harte Hanks, through the Wilson Financial Advisor, entered into confidentiality and non-disclosure agreements containing customary mutual non-disclosure and non-use provisions, with 93 different parties. Discussions during this time resulted in ten initial indications of interest, and ultimately three letters of intent from parties that we refer to as “Company E”, “Company F” and “Company G”.

On May 20, 2025, Company F submitted a preliminary indication of interest for Harte Hanks’ fulfillment and logistics businesses at an enterprise value range of \$50 million to \$55 million, subject to adjustments for tax liabilities, deferred revenue, indebtedness, accrued compensation and other items.

On June 30, 2025, Harte Hanks appointed Mr. Fisher as President.

Following diligence, on July 22, 2025, Company F submitted a letter of intent at an enterprise value of up to \$46 million, consisting of \$38.5 million in cash at closing and up to \$7.5 million of contingent consideration based on post-closing EBITDA performance. In response to a counterproposal from the board of directors of Harte Hanks, on July 29, 2025, Company F agreed to replace the contingent consideration with a \$5 million seller note, for total consideration of \$43.5 million.

On July 31, 2025, Harte Hanks entered into an exclusivity agreement running through October 2, 2025 with Company F for Project Wilson. Harte Hanks opted to pursue Company F exclusively for a variety of reasons, including that Company E had no committed capital and Company G did not appear to be on the same timetable for a transaction as Harte Hanks. On the same day, Harte Hanks retained Baker Botts L.L.P. (“**Baker Botts**”) as external legal counsel for Project Wilson.

Extensive work proceeded on an asset sale transaction with Company F, which included work on transactional documents and extensive due diligence. In September 2025, Harte Hanks disclosed to Company F the impending loss of nearly all revenue of a significant customer for one of the units that was attributable to Project Wilson. On October 2, 2025, the day before its exclusivity was set to expire, Company F informed Harte Hanks that it no longer had an interest in pursuing Project Wilson.

On October 14, 2025, the board of directors of Harte Hanks approved a new Operating Committee and delegated the responsibilities to evaluate and pursue potential strategic transactions and alternatives involving Harte Hanks and its business units to that Committee. Mr. Griffin and Ms. Combes were appointed to the Committee, with Mr. Griffin serving as Chairperson. The board of directors of Harte Hanks formed the Operating Committee to provide more frequent oversight of the strategic process and direction to Harte Hanks' advisors between meetings of the full board. The Operating Committee reported regularly to the full board of directors of Harte Hanks, and any decision to enter into a definitive agreement remained reserved to the full board of directors. The Wilson Financial Advisor re-initiated discussions with Company F about Project Wilson, and provided updated financial information to Company F.

During October 2025, Harte Hanks continued to meet with Company F and Company G, each of whom stated that a significant amount of diligence would be required before making any offer. Company D also reengaged in conversations with Harte Hanks at this time.

On October 27, 2025, the Operating Committee met with representatives of the Wilson Financial Advisor to discuss ongoing exploratory discussions with entities that had expressed interest in investing in or acquiring all or part of Harte Hanks. Representatives of the Wilson Financial Advisor reported that Company G had expressed strong interest in pursuing a whole-company acquisition of Harte Hanks and that Company E remained interested in acquiring the fulfillment and logistics portion of Harte Hanks' business. The Wilson Financial Advisor reported that both parties would likely require additional time before providing an offer, and the Operating Committee agreed to continue discussions with them in parallel.

The Operating Committee and its advisors also discussed transaction process considerations, including an internal valuation analysis to be prepared by the Wilson Financial Advisor and the possible use of a post-signing go-shop period if Harte Hanks received a proposal that the Operating Committee believed reflected a satisfactory valuation and wished to pursue. The Operating Committee discussed fiduciary considerations associated with potential strategic transactions and noted that, although a transaction was being explored, no affirmative determination to pursue a sale had been made at that time.

The Operating Committee also discussed interest expressed by Company D and the desirability of keeping Company D informed while avoiding premature exclusivity. The Operating Committee agreed that Company D's interest should be communicated to the Wilson Financial Advisor for consideration with the other potential counterparties.

A month later, in November 2025, Mr. Eberwein reached out to Mr. Griffin to set up time to meet. While setting up that meeting, Mr. Eberwein informed Mr. Griffin that Star had merged with Hudson Global, Inc. and had reduced costs by \$2 million annually. Mr. Eberwein also shared information with Mr. Griffin about Star's preferred stock. They arranged for a December meeting.

Also during November and December 2025, Harte Hanks continued to discuss interest shown by Company G. Company G showed interest but continued to represent an elongated timeline prior to having the ability to make any offer or to confirm whether Company G intended to pursue part or all of Harte Hanks.

On November 14, 2025, the Operating Committee reviewed developments concerning Company G, including a presentation by members of Harte Hanks to the chief executive officer and chief financial officer of a Company G subsidiary, which representatives of the Wilson Financial Advisor and the Operating Committee also attended. The Operating Committee also reviewed continuing negotiations concerning a confidentiality agreement with Company D, including a standstill provision, and instructed Baker Botts to send a revised draft to Company D's counsel.

The Operating Committee and its advisors discussed whether the exploratory inquiries and discussions undertaken to date indicated that Harte Hanks was for sale. Baker Botts advised that those activities were exploratory and preliminary and did not constitute a definitive intention to sell Harte Hanks. The Operating Committee and its advisors also discussed considerations that would arise if Harte Hanks later decided to pursue a sale process.

During November and December 2025, a party referred to as "Party A" contacted Harte Hanks' Chief Client Officer and Mr. Fisher regarding potential ways to expand the existing commercial relationship between Harte Hanks and Party A and potential strategic opportunities involving Harte Hanks, including a potential acquisition or merger. At that time, Harte Hanks was in advanced discussions with Company E regarding a letter of intent for Project Wilson, and those discussions were confidential. Accordingly, at the direction of the Operating Committee, Harte Hanks referred Party A's inquiries to the Wilson Financial Advisor. Party A did not submit an indication of interest or proposal to Harte Hanks at that time.

On December 1, 2025, the Operating Committee again reviewed the status of the confidentiality agreement with Company D, including Company D's deletion of the proposed standstill provision. The Operating Committee instructed Baker Botts to offer Company D's counsel another opportunity to discuss the need for the standstill provision.

Company D discontinued conversations with Harte Hanks during December 2025 and no indication of interest or valuation range was shared between the parties.

On December 12, 2025, Mr. Eberwein and Mr. Griffin met as planned. Following that meeting, Star delivered a draft confidentiality agreement to Harte Hanks. On December 29, 2025, the Operating Committee reviewed the proposed confidentiality agreement and discussed recent conversations between Mr. Griffin and Mr. Eberwein. Mr. Griffin reported that Mr. Eberwein had indicated that Star's board of directors (the "**Star Board**") had expressed renewed interest in pursuing a potential merger transaction with Harte Hanks. The Operating Committee and its advisors discussed the appropriate process for responding to Star's inquiry and agreed that Harte Hanks could enter into a confidentiality agreement with Star, subject to revisions including a mutual standstill provision. The Operating Committee requested that Baker Botts revise the draft confidentiality agreement for distribution to Star.

The Operating Committee met frequently, often weekly or more often during active periods, with representatives of Baker Botts and, through April 2026, the Wilson Financial Advisor, and later with representatives of Citizens and ODP. Because Harte Hanks' strategic review involved multiple parallel discussions with potential counterparties for all or part of Harte Hanks on differing timelines and because Harte Hanks did not have a Chief Executive Officer for portions of 2025, the board of directors of Harte Hanks determined that a smaller committee could more efficiently oversee day-to-day process matters, such as the negotiation of confidentiality agreements, the sharing of diligence information and the direction of Harte Hanks' advisors, between meetings of the full board of directors of Harte Hanks. The Operating Committee was not authorized to approve a definitive agreement. Mr. Griffin regularly reported developments to the full board of directors of Harte Hanks, which made the principal decisions in the process.

On January 8, 2026, Star and Harte Hanks entered into a confidentiality agreement.

On January 9, 2026, Mr. Griffin and Mr. Eberwein held a video call. During the call, Mr. Eberwein shared information on recent industry developments.

On January 16, 2026, Mr. Griffin discussed Star's interest in Harte Hanks following the sale of the Project Wilson assets, which is referred to as "Remainco," with the Wilson Financial Advisor, who was formally retained to advise on Project Wilson only.

On January 30, 2026, Company E submitted a revised letter of intent to Harte Hanks for Project Wilson.

On February 3, 2026, a revised letter of intent was signed, and provided Company E with exclusivity for 60 days, through early April 2026. Company E's revised letter of intent proposed to acquire the equity interests of the fulfillment and logistics businesses for \$41 million on a cash-free, debt-free basis, less deferred taxes and amounts collected for services not yet rendered. The proposal was subject to a significant financing contingency, as Company E lacked cash and was reliant on letters of support from potential funders for all of the required debt financing and required equity. The proposal also assumed that the business would have trailing twelve-month EBITDA of not less than \$6.8 million at closing and that the parties would enter into a 12-month transition services agreement.

On February 11, 2026, Mr. Griffin reached out to Mr. Eberwein to have a February update and scheduled a time to speak by phone the following day.

On March 2, 2026, the board of directors of Harte Hanks was informed that the Wilson Financial Advisor had received an unsolicited inquiry for all of Harte Hanks from Company B. As Harte Hanks was subject to an exclusivity arrangement with Company E at the time of the inquiry, the board of directors of Harte Hanks determined not to respond to the March 2nd inquiry from Company B.

On April 3, 2026, Mr. Eberwein reached out to Mr. Griffin via email and requested a short update call for the following week, and Mr. Griffin stated that he would be in the area and that they could get together in person.

On April 8, 2026, Company E and Harte Hanks extended the exclusivity period through May 30, 2026.

On April 10, 2026, Mr. Griffin met with Mr. Eberwein with the objective of assessing Star's interest in Remainco.

On April 15, 2026, the Wilson Financial Advisor alerted Harte Hanks' directors that it would not be providing advisory services beyond Project Wilson and would therefore not advise Harte Hanks with respect to any transaction involving Remainco.

On April 16, 2026, Mr. Eberwein and Mr. Griffin spoke. Mr. Griffin explained that Harte Hanks would be hiring another investment banker for Remainco. Mr. Griffin agreed to share materials about Remainco with Mr. Eberwein, and Mr. Eberwein agreed to prepare a non-binding letter of intent for Remainco. It was understood that the Star proposal would not include the assets that Company E was planning to purchase as part of Project Wilson. Harte Hanks also stated that any offer must be subject to an opportunity to publicly confirm the adequacy of the purchase price through a "go-shop period".

On April 17, 2026, Mr. Griffin shared with Mr. Eberwein a projection deck for Remainco. The deck identified approximately \$4 million in possible shared services reductions from merging the two publicly traded companies.

On April 22, 2026, representatives of Oaklins DP, LLC ("ODP"), Harte Hanks' financial advisor, contacted representatives of Citizens regarding the opportunity for Citizens to serve as lead financial advisor to Harte Hanks.

On April 29, 2026, Mr. Eberwein emailed Mr. Griffin and Ms. Combes a draft indication of interest for Remainco. It referenced a presentation titled "Remainco Reimagined" that Mr. Griffin and Ms. Combes had provided to Mr. Eberwein on April 17, 2026. That same day, Mr. Griffin shared a draft letter of intent from Star with the board of directors of Harte Hanks and marketing decks for the selection of an investment banker.

On April 30, 2026, representatives of Citizens had an introductory call with Mr. Griffin and Ms. Combes to discuss the scope of Citizens' engagement, which was expected to be limited to the sale of Harte Hanks' marketing services and customer care divisions, and recent developments regarding Project Wilson.

At a May 5, 2026 meeting, the board of directors of Harte Hanks discussed the Star proposal with representatives of Harte Hanks' outside counsel at Baker Botts and internal Harte Hanks counsel. The board of directors of Harte Hanks concluded that the three current structures of the proposals for Remainco by Star were not in the best interest of Harte Hanks. The board of directors of Harte Hanks instructed Mr. Griffin to inform Star that Harte Hanks would be hiring an investment banker to evaluate options for Harte Hanks.

On May 8, 2026, the Citizens and ODP engagement letters were executed.

On May 14, 2026, as part of the onboarding of its new advisors, Mr. Griffin shared with representatives of Citizens and ODP an unsolicited inquiry received by Harte Hanks from Company F, which Citizens might pursue once the exclusivity period of Project Wilson expired.

On May 19, 2026, representatives of Citizens, ODP and Harte Hanks discussed the latest developments regarding Project Wilson, the Company B inquiry, and an overview of the process and diligence related to the sale of the marketing services and customer care business.

On the same day, Mr. Eberwein informed Mr. Griffin that Star now had an "ATM offering" through Ladenburg of its preferred stock, which allowed it to raise capital for acquisitions and improve trading liquidity for the Star preferred stock.

On May 27, 2026, at the request of Harte Hanks, representatives of Citizens established a virtual data room (the "VDR") to facilitate the due diligence process in connection with the proposed Remainco transaction. Harte Hanks populated the VDR with diligence materials for review by prospective counterparties, including information relating to Harte Hanks' marketing services and customer care divisions.

On May 30, 2026, the exclusivity period for Company E expired, although diligence activities and legal drafting continued for Project Wilson.

On June 1, 2026, Mr. Eberwein submitted a non-binding indication of interest (the "June 1st Star IOI") to the board of directors of Harte Hanks proposing to acquire 100% of the outstanding common stock of Harte Hanks for \$5.00 per share, consisting of \$2.50 per share in cash and \$2.50 per share in Star's 10% Series A Cumulative Perpetual Preferred Stock (Nasdaq: STRRP), the value of which is based on a liquidation preference of \$10.00 per share. In proposing the preferred stock component of the merger consideration, Star indicated that it believed the Star Preferred Stock represented an attractive alternative form of consideration because it was listed for trading on the Nasdaq Global Select Market, carried cumulative dividend rights at an annual rate of 10%, and had a stated liquidation preference of \$10.00 per share.

On June 5, 2026, a principal for a party referred to as "Company H" contacted Bradley L. Radoff, a member of the board of directors of Harte Hanks, expressing interest in acquiring Harte Hanks. Mr. Griffin introduced Company H to representatives of ODP and Citizens to discuss next steps regarding a potential transaction. That same day, Mr. Eberwein was introduced to representatives of ODP and Citizens to discuss next steps regarding a potential transaction.

On June 8, 2026, Company E presented to the Harte Hanks Project Wilson Advisor a revised and reduced proposal, and suggested it was investigating an employee stock ownership plan structure with one potential financing source. Company E suggested a valuation of \$30 million was now warranted, plus an additional \$3 million possible earnout, and up to \$2 million in financing by Harte Hanks might be needed.

On June 8, 2026, representatives of Citizens and ODP held an introductory call with Mr. Eberwein, who provided an overview of Star and the rationale for the June 1st Star IOI.

On June 10, 2026, Harte Hanks and Company H executed a non-disclosure agreement.

On June 11, 2026, representatives of Citizens and ODP held an introductory call with principals from Company H, who provided an overview of the company and its investment thesis for a merger with Harte Hanks, with next steps to include an initial diligence request list.

On June 16, 2026, Company H submitted its initial diligence request list to representatives of Citizens and ODP.

On June 23, 2026, Company E stated that only an employee stock ownership plan structure would be workable, with only \$28 million in cash paid to Harte Hanks, along with \$2 million in private preferred stock and a potential additional \$3 million earn out. Only \$850,000 would be provided by Company E itself.

On June 24, 2026, Harte Hanks provided Company H with VDR access and materials responsive to its initial diligence requests.

On June 25, 2026, Star submitted its initial diligence request list to representatives of Citizens and representatives of ODP.

On July 1, 2026, Mr. Griffin was informed by its Project Wilson financial advisor that Company E had ended all work on a possible transaction following its review of recent Company financial results for the month of May 2026.

On July 2, 2026, the Operating Committee notified Harte Hanks' financial and legal advisors that discussions related to Project Wilson had not resulted in a transaction. Accordingly, the scope of Citizens' engagement was revised to encompass a sale of the entire company. Mr. Griffin, Ms. Combes and Mr. Radoff, from the board of directors of Harte Hanks, directed Harte Hanks' legal and financial advisors to share a process letter with Star and Company H setting a bid deadline of July 30, 2026, with bids to include a markup of the merger agreement to be prepared by Baker Botts. At the request of the board of directors of Harte Hanks, representatives of Citizens shared the final process letter with Company H and Star the same day and requested letters of interest by July 30, 2026. That same day, Harte Hanks provided Star with access to the VDR.

On July 6, 2026, Mr. Eberwein called Mr. Griffin and said his team was prepared to send to Harte Hanks the deliverables that Harte Hanks requested for July 31, 2026, namely a revised letter of intent and a marked up merger agreement.

On July 8, 2026, Star submitted its second phase of diligence requests to representatives of Citizens, covering financial, legal, pension and tax matters.

On July 13, 2026, Baker Botts delivered an initial draft of the merger agreement to Baker & Hostetler LLP ("**Baker Hostetler**"), outside legal counsel to Star. The initial draft was structured as a reverse subsidiary merger in which Merger Sub would merge into Harte Hanks and Harte Hanks would survive as a wholly owned subsidiary of Star.

On July 15, 2026, Company H, through its principal, notified Mr. Radoff that it was exiting the process to focus on enterprise resource planning related initiatives rather than dedicating resources to evaluating Harte Hanks. Following Company H's withdrawal, Star was the only party that remained in the process and the only party that had submitted a recent proposal to acquire all of the outstanding shares of Harte Hanks. None of the prior proposals received by Harte Hanks since January 2025 had resulted in a transaction: the Company D proposal contemplated only a partial self-tender rather than an acquisition of Harte Hanks, the Company F and Company E proposals related solely to the fulfillment and logistics businesses and were terminated by those parties following diligence, and Company G's extended timeframe for a closing added risks that were not acceptable to Harte Hanks.

On July 21, 2026, Patrick O'Brien, Managing Director of Harte Hanks' fulfillment & logistics business, and Benjamin Chacko, Managing Director of Harte Hanks' customer care business, traveled with Mr. Griffin and representatives of Citizens and ODP to Greenwich, Connecticut for in-person management meetings at Star's office.

On July 27, 2026, representatives of Harte Hanks, Citizens, ODP and Star had a meeting to discuss Harte Hanks' fulfillment & logistics business.

On July 28, 2026, representatives of Harte Hanks, Citizens, ODP and Star had a meeting to discuss Harte Hanks' revenue solutions business and Harte Hanks' current legal and tax services. That same day, Star shared a markup of the merger agreement with Harte Hanks that, among other things, proposed a forward merger structure in which Harte Hanks would merge into Merger Sub and cease to exist, contemplated a tax-free reorganization under Section 368(a) with extensive joint tax representations, and included a 30-day go-shop period, a 4% Company Termination Fee, a 2% Exempted Party reduced fee, and a 2% Parent Termination Fee. The markup also provided a three-Business Day matching and notice period for superior proposals, limited Star's monetary liability to the Parent Termination Fee, did not require the purchase of D&O tail insurance, and required non-public information provided to bidders to be shared within 24 hours.

On July 29, 2026, representatives of Harte Hanks, Citizens, ODP and Star had a meeting to discuss Harte Hanks' corporate costs and potential cost synergies and the customer care business.

On July 30, 2026, representatives of Harte Hanks, Citizens, ODP and Star had a meeting to further discuss Harte Hanks' fulfillment & logistics business, the sales team and its operations.

On July 31, 2026, Star delivered a revised letter of intent (the "**July 31st Star LOI**") that introduced election mechanics including STRRP preferred stock, a fifteen (15)-day exclusivity period (with an automatic seven (7)-day extension), specific financing terms, detailed governance and integration provisions naming key personnel, enumerated closing conditions, and a thirty (30)-day go-shop period no longer conditioned on a one-month acceptance deadline. The July 31st Star LOI maintained the \$5.00 per share price and consideration structure comprised of 50% cash and 50% STRRP preferred stock. The July 31st Star LOI also stated that Star expected to fund approximately \$12.5 million of the cash consideration through a draw on Harte Hanks' existing Texas Capital Bank revolving credit facility, with the balance funded from Star's cash on hand, and that Star's indemnification of directors and officers would replace the need for a D&O tail insurance policy. Concurrently, Star delivered a comprehensive markup of the merger agreement.

The board of directors of Harte Hanks discussed the July 31st Star LOI. Following the board of directors of Harte Hanks' discussions, the board of directors of Harte Hanks directed its legal and financial advisors to request that Star increase its offer to \$6.50 per share.

On July 31, 2026, the Audit Committee of the Star board met to discuss the proposed Merger. All members of the Audit Committee attended the meeting, together with certain members of Star management and Star's outside counsel and financial advisor.

On August 2, 2026, the board of directors of Harte Hanks, certain members of Harte Hanks' management team, and representatives from Citizens and ODP held a call to discuss the July 31st Star LOI and the Merger Agreement received from Star on July 28, 2026. The board of directors of Harte Hanks and its advisors discussed Star's positions on the merger structure, D&O insurance, the transaction-expense cap and its proposed scope, the asymmetry in the proposed termination fee structure, the absence of a parent guarantee, and the tax implications of the proposed transaction.

On August 3, 2026, following discussion, Star delivered a revised executed letter of intent (the “**August 3rd Star LOI**”) increasing the price to \$5.50 per share, with the incremental value effectively funded through an increased Texas Capital Bank facility draw and a new transaction-expense cap of \$2,365,000. The August 3rd Star LOI increased the proposed Texas Capital Bank facility draw from approximately \$12.5 million to approximately \$15.0 million to fund the additional cash consideration, with the balance and transaction expenses funded from Star’s cash on hand. The August 3rd Star LOI also introduced a closing condition capping Harte Hanks’ aggregate transaction expenses at \$2,365,000, defined broadly to include professional advisory fees, D&O tail insurance costs, and certain transaction-related payments to employees and officers. Star continued to maintain that its indemnification of directors would replace the need for a separate and customary D&O tail policy.

On August 5, 2026, management of Harte Hanks and Star, together with their respective legal and financial advisors, including representatives of Citizens, met to discuss regulatory matters for each line of business and the go-to-market strategies for Harte Hanks’ revenue solutions and customer care businesses.

On August 6, 2026, management of Harte Hanks and Star, together with their respective legal and financial advisors, including representatives of Citizens, met to discuss legal matters, including ongoing litigation, with Harte Hanks, and customer case studies for the Revenue Solutions and Customer Care businesses. Separately, Mr. Fisher circulated a draft cash forecast for Citizens’ review and representatives of Citizens had a discussion with Mr. Eberwein regarding the transaction’s progress.

Also on August 6, 2026, management of Harte Hanks finalized discussions it had been having with the Wilson Financial Advisor over fees and expenses that it claimed it was owed.

On August 6, 2026, the Star board met to discuss the proposed Merger. All members of the Star Board attended the meeting. The Star Board discussed the proposed Merger and the additional due diligence then available.

On August 7, 2026, management of Harte Hanks and Star, together with their respective legal and financial advisors, including representatives of Citizens, met to discuss corporate structure and to provide a customer care technology demonstration for the Star team.

That same day, Baker Botts shared a further revised draft of the Merger Agreement with Baker Hostetler that, among other things, reverted to a reverse subsidiary merger structure in which Merger Sub would merge into Harte Hanks and Harte Hanks would survive in order to avoid triggering third-party consent requirements for pension plans, contracts, leases and permits; changed the intended tax treatment from a tax-free reorganization to a taxable transaction and eliminated the joint tax representations article; added a customary six-year D&O tail insurance provision, including a prepaid tail policy option and a Maximum Annual Premium of 300% of Harte Hanks’ current premium; revised the proposed termination fees to 3% for Harte Hanks, 1.5% for an Exempted Party, and 3% for Star, and carved out any Company Termination Fee obligation arising from failure of the Debt Financing; expanded Star’s representations regarding capitalization, SEC reports, financial statements and the financing commitment letter; added a Star performance guarantee; and reflected \$5.50 per share consideration.

On August 8, 2026, Harte Hanks executed a revised letter of intent (the “**August 8th Star LOI**”). At the request of the board of directors of Harte Hanks, representatives of Citizens shared the executed August 8th Star LOI and an updated cash forecast and estimated transaction expenses with Star. The August 8th Star LOI maintained the \$5.50 per share price and the 50% cash / 50% preferred stock consideration structure from the August 3rd Star LOI, but incorporated several governance changes: it removed the fixed exclusivity period and replaced it with exclusivity through August 14, 2026; agreed to obtain a customary D&O tail insurance policy prior to closing, resolving a key issue from the August 3 board of directors of Harte Hanks discussion; dropped the transaction-expense cap as a closing condition; and instead provided that Harte Hanks’ transaction expenses would be paid from Harte Hanks’ own cash prior to closing and would not reduce the purchase price payable to stockholders. The August 8th Star LOI also added a requirement for voting and support agreements from Harte Hanks’ directors and certain executive officers.

Later that day, Mr. Eberwein notified a representative of Citizens via email that Star was lowering its offer to \$5.00 per share (50% cash and 50% preferred stock), and expected Star Board approval to sign the merger agreement the following Thursday, with a proposed signing on August 13, 2026, and announcement on August 14, 2026. Mr. Eberwein attributed the revision in price to higher anticipated transaction expenses of approximately \$4.5 million, an approximately \$6 million adverse swing in net debt, weaker-than-expected second-quarter results, and concerns over continued client loss, and noted that the \$5.00 per share consideration represented a 119% premium to Harte Hanks' prior-Friday close of \$2.28. The board of directors of Harte Hanks discussed the updated transaction terms.

On August 9, 2026, management of Harte Hanks and Star, together with their respective legal advisors, had a call to discuss certain key issues in the merger agreement and timing for the transaction. Key issues discussed included the Texas Capital Bank financing structure, termination fees, treatment of Harte Hanks equity awards, directors and officers indemnification and insurance, and representations and warranties.

On August 9, 2026, management of Harte Hanks and Star, together with their respective legal and financial advisors, including representatives of Citizens, met to discuss the top customers for each line of business.

On August 10, 2026, Baker Hostetler shared a further revised draft of the merger agreement with Baker Botts that, among other things, responded to the August 7 draft by providing for cash, preferred stock, or a combination of both for vested Company equity awards, while cancelling unvested awards without consideration; retained the six-year D&O tail insurance provision with a 300% premium cap; and revised the termination fees to a 3% Company Termination Fee, a 1.5% Exempted Party reduced fee during the Go-Shop Period, and a 2% Parent Termination Fee. That same day, Baker Hostetler also shared a form of Voting and Support Agreement with Baker Botts, together with a list of directors, officers, and certain stockholders that Star was requesting to sign such an agreement.

On August 11, 2026, Mr. Garrison shared Harte Hanks' projected operating model with Texas Capital Bank, supporting the feasibility of a \$15 million draw on its loan in connection with the proposed transaction. Additionally, Baker Botts shared a revised draft of the merger agreement with Baker Hostetler which reflected ongoing negotiations on open issues concerning the financing structure, termination fees, treatment of Company equity awards, directors' and officers' indemnification and insurance, and representations and warranties.

On August 11, 2026, Star delivered a revised letter of intent (the "**August 11th Star LOI**") reflecting its offer at \$5.00 per share, increasing the transaction-expense cap to \$4,514,000 and including a closing condition that Harte Hanks' aggregate transaction expenses not exceed that amount. The August 11th Star LOI reverted to \$5.00 per share from \$5.50, reinstated the transaction-expense cap - now at \$4,514,000, nearly double the original \$2,365,000 cap - as a closing condition, and reversed the August 8th Star LOI's concession on D&O tail insurance by stating that Star's indemnification would replace the need for a separate tail policy. Mr. Eberwein again attributed the price reduction to higher anticipated transaction expenses of approximately \$4.5 million, an approximately \$6 million adverse swing in net debt, weaker-than-expected second-quarter results, and concerns over continued client loss. With respect to net debt, Harte Hanks had no borrowings and approximately \$5.6 million of cash and cash equivalents as of December 31, 2025, compared with \$3.0 million of borrowings under its Texas Capital Bank credit facility and approximately \$5.2 million of cash and cash equivalents as of June 30, 2026, and Harte Hanks' cash forecast reflected the use of cash on hand through closing to pay transaction expenses.

During the course of the negotiations, including at meetings held on August 7, 11, and 12, 2026, the board of directors of Harte Hanks, together with representatives of Harte Hanks' management and its financial and legal advisors, discussed certain concerns and risks relating to the proposed transaction, including: (i) the lack of a committed debt financing letter and Star's reliance on a draw of up to \$15 million on Harte Hanks' existing Texas Capital Bank facility, the availability of which was subject to Harte Hanks' borrowing base and Texas Capital Bank's consent, and the corresponding closing condition, which the board of directors sought to mitigate by excluding any Company Termination Fee obligation arising from a financing failure and requiring Star to bear lender financing costs if the transaction terminates; (ii) the value and liquidity of the Star Preferred Stock to be received by Harte Hanks stockholders and the importance of diligence on Star's financial condition; (iii) whether contractual indemnification by Star would adequately protect Harte Hanks' directors and officers in the absence of a prepaid D&O tail insurance policy; (iv) Star's proposed cap on transaction expenses and the risk that excess expenses would reduce the consideration payable to stockholders; (v) the asymmetric termination fees initially proposed by Star and their potential effect on the credibility of the go-shop period; (vi) the terms of the voting and support agreements requested by Star, including the need to preserve the ability of signatories to support a superior proposal; and (vii) the risk that Star would not proceed with a transaction at all, and the absence of other proposals for the entire Company. The board of directors of Harte Hanks also discussed the reduced price with representatives of Citizens and Baker Botts. Representatives of Citizens had previously advised the board of directors of Harte Hanks that the uncertainty regarding the availability of financing under the Texas Capital Bank facility, Harte Hanks' second-quarter results and the size of ongoing strategic transaction expenses may each affect Star's offer, and that Star might revert to its original \$5.00 per share price. In determining to continue negotiations at \$5.00 per share, the board of directors of Harte Hanks considered, among other things, that the \$5.00 per share price represented a premium of more than 100% to the \$2.28 closing price of Harte Hanks Common Stock on August 7, 2026; that no other party had submitted a recent proposal to acquire the entire Company; that prior efforts to sell the fulfillment and logistics businesses had not resulted in a transaction; Harte Hanks' recent financial performance and loss of business from certain clients; the risks of continuing as a standalone public company; and that the Merger Agreement would include a 30-day go-shop period with a reduced termination fee, permitting Harte Hanks to solicit superior proposals following announcement.

On August 12, 2026, representatives of Harte Hanks, Star, Citizens, ODP, Baker Botts and Baker Hostetler participated in an all-hands call to discuss key outstanding issues in the Merger Agreement. Key outstanding issues discussed included the termination fee structure, the treatment of Company equity awards, the scope of directors' and officers' indemnification and insurance, and the terms of the Voting and Support Agreement. The outstanding issues discussed by the parties during the final phase of negotiations included the financing structure, termination fees, treatment of Company equity awards, directors' and officers' indemnification and insurance, and representations and warranties.

Later on August 12, 2026, the board of directors of Harte Hanks held a meeting with Harte Hanks' management and its financial and legal advisors. Harte Hanks' legal advisors summarized the terms of the Merger Agreement and provided an overview of the board of directors' fiduciary duties. The representatives of Citizens presented their financial analysis and their opinion that the merger consideration to be received by the holders of the Harte Hanks Common Stock (other than Owned Company Shares) in the merger is fair, from a financial point of view, to such holders. Citizens subsequently shared its written opinion dated August 12, 2026 with the board of directors of Harte Hanks.

That same day, Baker Hostetler shared a revised form of Voting and Support Agreement with Baker Botts.

On August 13, 2026, Baker Botts shared a further revised draft of the merger agreement with Baker Hostetler that, among other things, reflected \$5.00 per share consideration and a 50% cash cap, and revised the treatment of Company equity awards so that specified options and RSUs could receive elected cash or preferred stock consideration while all PSUs would be cancelled without consideration. It also added alternative debt financing and related cost-reimbursement provisions, restored D&O indemnification protections, and retained the 3% Company Termination Fee, 1.5% Exempted Party reduced fee and 3% Parent Termination Fee. That same day, Baker Botts shared a revised draft of the Voting and Support Agreement with Baker Hostetler, which was finalized by the parties that day.

Also on August 13, 2026, Texas Capital Bank shared a letter with Harte Hanks confirming its confidence to provide up to the \$15 million loan in connection with the transaction. Later that day, the board of directors of Harte Hanks held a meeting, including certain members of Harte Hanks' management, representatives of Citizens and representatives of ODP, and representatives of Baker Botts to discuss the status of key items required prior to signing and the planned timing for signing and announcement. Following discussions, the board of directors of Harte Hanks approved the Merger Agreement.

On August 13, 2026, the Star board met again to consider the Merger Agreement and the transactions contemplated by the Merger Agreement. All members of the Star board attended the meeting. The Star board received an update regarding additional due diligence conducted since its August 6, 2026 meeting. Following its consideration of the updated due diligence and the proposed transaction, the Star board determined to proceed with the Merger and approved the merger agreement and the transactions contemplated thereby.

Later that same day, Baker Botts and Baker Hostetler held multiple calls to discuss open issues in the merger agreement, and Baker Hostetler shared a further revised draft of the merger agreement with Baker Botts that, among other things, finalized the \$5.00 per share consideration and \$19.2 million Maximum Cash Amount, specified the options and RSUs eligible for elected cash or preferred stock consideration, and cancelled the PSUs without consideration. The draft narrowed the alternative debt financing obligation to commercially reasonable efforts on terms substantially similar to the ABL Loan Agreement or otherwise acceptable to Star, retained the six-year D&O insurance tail while narrowing related indemnification language, and fixed Harte Hanks, Exempted Party reduced, and Parent Termination Fees at \$1,152,000, \$576,000, and \$1,152,000, respectively; it also preserved Star's entitlement to the Company Termination Fee where otherwise payable while excluding damages arising solely from financing failure.

Early in the morning on August 14, 2026, Baker Botts shared a further revised draft of the merger agreement with Baker Hostetler and the Merger Agreement by and between Harte Hanks and Star was executed. The deal was publicly announced later that day.

On August 14, 2026, Star and Harte Hanks each issued a press release announcing the execution of the Merger Agreement.

Also on August 14, 2026, Star filed a Form 8-K announcing the execution of and entry into the Merger Agreement, including the Merger Agreement and Form of Voting and Support Agreement as exhibits.

Following the execution of the Merger Agreement, on August 21, 2026, representatives of Star and Harte Hanks participated in a call with a significant stockholder of Harte Hanks. During the call, representatives of Star and Harte Hanks discussed the proposed transaction and reviewed terms that had previously been publicly disclosed.

Following the call, representatives of Star emailed the stockholder to continue the discussion regarding the proposed transaction, and counsel for such parties had a discussion to consider the terms under which those discussions could occur. On September 8, 2026, counsel for such stockholder informed Star's counsel that it would require a waiver under its existing cooperation agreement with Harte Hanks before engaging in further discussions regarding the proposed transaction. Counsel for Star thereafter requested such a waiver from Harte Hanks. On September 11, 2026, the stockholder's counsel advised Star's counsel by email that the stockholder did not intend to engage in any discussions regarding the proposed transaction prior to its review of the proxy statement/prospectus.

By unanimous written consent dated September 23, 2026, the board of directors of Harte Hanks extended the term of the Operating Committee through December 31, 2026.

Post-Signing Go-Shop Activity

Pursuant to the Merger Agreement, during the Go-Shop Period from August 14, 2026 through September 13, 2026 at 11:59 p.m. Eastern Time, Harte Hanks and its representatives were permitted to initiate, solicit, encourage and engage in discussions or negotiations with third parties regarding alternative Acquisition Proposals and to furnish non-public information to such third parties, subject to specified conditions set forth in the Merger Agreement.

During the Go-Shop Period, Citizens and ODP, Harte Hanks' financial advisors, together with Harte Hanks, solicited interest from 93 third parties. Harte Hanks entered into Acceptable Confidentiality Agreements (as defined in the Merger Agreement) with nine parties, and each of those parties was provided access to a virtual data room containing non-public information regarding Harte Hanks. Two parties submitted Acquisition Proposals during the Go-Shop Period.

On August 21, 2026, Party A executed an Acceptable Confidentiality Agreement, and on August 23, 2026, Party A received access to the virtual data room. On September 1, 2026, Party A participated in a management presentation. On September 7, 2026, Party A submitted a letter of intent proposing to acquire all outstanding shares of Harte Hanks Common Stock for \$4.50 per share in cash. The proposal was not subject to a financing condition, although Party A's financing proposals from institutional lenders were non-binding and subject to credit approval and definitive documentation.

On September 8, 2026, Citizens delivered the Party A proposal to Star pursuant to the notice requirements of the Merger Agreement. From September 8 through September 10, 2026, Citizens, on behalf of the board of directors of Harte Hanks, communicated with Party A regarding financing certainty, alternative financing sources, the proposed Parent Termination Fee, potential enhancements to the proposed merger agreement and purchase-price improvement.

On September 9, 2026, Party A delivered a markup of a merger agreement to Baker Botts, together with enhanced proposal information addressing the board's questions regarding financing certainty, balance-sheet resources and shareholder commitment.

On September 11, 2026, Party A submitted a revised proposal increasing the purchase price to \$4.60 per share, subject to the Texas Capital Bank line of credit being paid in full at closing, and increasing the proposed Parent Termination Fee from approximately \$1.152 million to \$2.3 million.

On September 3, 2026, a party referred to as "Party B" executed an Acceptable Confidentiality Agreement and received access to the virtual data room. On September 8, 2026, Party B submitted a proposal providing for the contribution of substantially all of Harte Hanks' assets, other than its federal and state net operating loss carryforwards, to a newly formed entity, with Harte Hanks receiving \$20.0 million in cash and 3,953,611 common units in the newly formed entity. The cash was intended to be returned to Harte Hanks stockholders through a special dividend, self-tender offer or other mechanism. The proposal did not include a fixed per-share acquisition price. Party B indicated that funding would come from cash and liquidity on hand and that the proposal was not subject to a financing contingency. The proposal was non-binding and subject to negotiation of definitive documentation, completion of due diligence, required approvals and customary conditions.

On September 9, 2026, Citizens circulated a Superior Proposal Assessment to the board of directors of Harte Hanks. The board held an update meeting with Harte Hanks' management and its financial and legal advisors to discuss the status of the Star transaction, the Party A proposal, the Party B proposal and the Citizens assessment.

On September 11, 2026, the board held an update meeting with Harte Hanks' management and representatives of Citizens and Baker Botts. The board discussed the revised Party A proposal, a comparison of the Star and Party A merger agreements and Exempted Party considerations. Following consultation with Citizens and Baker Botts, the board unanimously determined in good faith that each of the Party B proposal and the Party A proposal would reasonably be expected to result in a Superior Proposal, as defined in the Merger Agreement, and designated each proposer as an Exempted Party under the Merger Agreement. The board did not determine at that time that either proposal constituted a Superior Proposal. The board reaffirmed the Company Board Recommendation in favor of the Star Merger Agreement and the Merger.

Also on September 11, 2026, Harte Hanks delivered the notice required by Section 5.3(a) of the Merger Agreement to Star, identifying Party A and Party B as Exempted Parties and providing the information and documents required by the Merger Agreement.

On September 12, 2026, Harte Hanks and its advisors discussed the post-Go-Shop process for continued engagement with Party A as an Exempted Party. The Go-Shop Period expired at 11:59 p.m. Eastern Time on September 13, 2026, and the No-Shop Period Start Date occurred immediately thereafter.

Also on September 13, 2026, Party B delivered a letter to Citizens formally withdrawing its Acquisition Proposal. Party B stated that, after considering the board's response to its proposal, Party B was unwilling to supplement its proposal to provide an all-cash purchase of all of Harte Hanks' outstanding stock or assets on terms that the board would likely be in a position to determine constituted a Superior Proposal. Party B stated that it remained interested in Harte Hanks and its businesses and would welcome the opportunity to re-engage if the Star Merger or any other acquisition transaction failed to be consummated.

Also on September 13, 2026, Harte Hanks sent return-or-destroy notices to all NDA counterparties other than Party A and Party B, and Citizens confirmed that no additional Acquisition Proposals had been received after the revised Party A proposal.

On September 14, 2026, Harte Hanks notified Star that Party B was no longer an Exempted Party and Harte Hanks sent a return-or-destroy notice to Party B.

On September 14 and 17, 2026, the board held an update meeting with Harte Hanks' management and representatives of Citizens and Baker Botts to discuss Party A proposal and a comparison of the Star and Party A merger agreements and a return draft of a proposed merger agreement to Party A.

On September 18, 2026, following continued discussions with Party A in accordance with the terms of the Merger Agreement, Party A provided a financing work plan and timeline to representatives of Citizens. On the same date, Baker Botts, on behalf of Harte Hanks, delivered to Party A's counsel a revised draft of a proposed merger agreement between Harte Hanks and Party A. In accordance with the Merger Agreement, on September 20, 2026, Harte Hanks provided Star with a copy of the proposed merger agreement sent to Party A, along with the financing working plan and timeline received from Party A.

On October 8, 2026, following continued discussions with Party A in accordance with the terms of the Merger Agreement, Party A's counsel delivered to Baker Botts a revised draft of the proposed merger agreement. Among other things, the revised draft (i) provided for a reduction of the per share cash merger consideration, on a dollar-for-dollar basis, by the amount of the outstanding obligations under Harte Hanks' existing Texas Capital Bank credit facility to be repaid at closing, any shortfall of Harte Hanks' closing cash below a specified target amount and any Company Transaction Expenses in excess of a specified budget; (ii) added restrictions on Harte Hanks' borrowings under its existing credit facility, interim financial reporting obligations and covenants regarding Harte Hanks' transaction expenses; (iii) added conditions to Party A's obligation to pay a termination fee in certain circumstances and narrowed the circumstances in which Party A would reimburse Harte Hanks for financing-related costs; and (iv) identified a different lender as the source of Party A's proposed debt financing. Harte Hanks provided a copy of the revised draft to Star in accordance with the Merger Agreement. Harte Hanks and its advisors are reviewing the revised draft, and the board of directors of Harte Hanks has not yet considered the revised draft.

As of the date of this proxy statement/prospectus, one Exempted Party, Party A, remained engaged in discussions with Harte Hanks following the expiration of the Go-Shop Period in accordance with the terms of the Merger Agreement. The board of directors of Harte Hanks has not determined that either the Party A proposal or the now-withdrawn Party B proposal constitutes a Superior Proposal. There can be no assurance that the continuing discussions with Party A will result in a Superior Proposal or that any alternative transaction will be entered into or consummated.

Under the Merger Agreement, the reduced Company Termination Fee of \$576,000 was available only if Harte Hanks terminated the Merger Agreement to enter into an Alternative Acquisition Agreement with an Exempted Party on or prior to the No-Shop Period Start Date. Because no Alternative Acquisition Agreement was entered into on or prior to September 13, 2026, the reduced fee is no longer available. If Harte Hanks terminates the Merger Agreement after the Go-Shop Period to enter into an Alternative Acquisition Agreement with an Exempted Party, the full \$1,152,000 Company Termination Fee would be payable.

Harte Hanks’ Reasons for the Merger; Recommendation of Board of Directors of Harte Hanks

In evaluating the Merger Agreement and the Merger and in reaching its determination to approve the Merger Agreement and recommend that Harte Hanks stockholders vote “FOR” the Harte Hanks Merger Proposal, the board of directors of Harte Hanks consulted with Harte Hanks’ management and its legal and financial advisors and considered a number of factors, including the factors described below. The board of directors of Harte Hanks considered these factors as a whole and did not assign relative weights to any particular factor.

The positive factors considered by the board of directors of Harte Hanks included, among others:

- the \$5.00 per share Merger Consideration, which represented a significant premium of approximately 119% over the closing price of Harte Hanks Common Stock of \$2.28 on August 7, 2026;
- the mixed consideration structure, pursuant to which Harte Hanks stockholders may receive Merger Consideration in cash and in Star Preferred Stock that pays a 10% annual dividend;
- the 30-day Go-Shop Period, during which the board of directors of Harte Hanks could actively solicit superior proposals, together with the reduced 1.5% Company Termination Fee that was available only if the applicable conditions were satisfied on or prior to the No-Shop Period Start Date;
- the board of directors of Harte Hanks’ view that the terms of the Merger Agreement were the product of extensive arm’s-length negotiations;
- the fairness opinion received from Citizens JMP Securities, LLC on August 12, 2026;
- the board of directors of Harte Hanks’ understanding of the company’s business, operations, financial condition, earnings and prospects, including the loss of a significant customer and weaker-than-expected second-quarter results;
- the terms of the Merger Agreement, including the ability to respond to unsolicited superior proposals after the Go-Shop Period, subject to compliance with the Merger Agreement’s terms;
- the six-year survival of the D&O indemnification protections following the Closing, including the D&O tail insurance provision;
- the board of directors of Harte Hanks’ assessment of the alternatives to the Merger, including continuing as a standalone public company, and the risks associated with those alternatives; and
- the board of directors of Harte Hanks’ review of the strategic process conducted by its financial advisors since early 2025, including outreach to 93 parties, multiple letters of intent, and the ultimate narrowing of the process.

The potentially negative factors and risks considered by the board of directors of Harte Hanks included, among others:

- the risk that the Merger might not be completed in a timely manner or at all;
- the restrictions on Harte Hanks’ ability to solicit alternative proposals after the Go-Shop Period;
- the potential that Harte Hanks could be required to pay Star a termination fee under specified circumstances;
- the fact that the receipt of the Merger Consideration would be taxable to Harte Hanks stockholders;
- Star’s financing structure, including the absence of a debt commitment letter and Star’s reliance on commercially reasonable efforts to obtain financing;

- the potential that certain directors and officers have interests in the Merger that differ from, or are in addition to, the interests of Harte Hanks stockholders generally;
- transaction costs payable whether or not the Merger is completed;
- the fact that Harte Hanks stockholders would not participate in any future growth or value creation of Harte Hanks as a standalone entity; and
- the risk that the \$5.00 per share price reflected a lower price than the \$5.50 previously offered, driven by higher transaction expenses, an adverse swing in net debt and weaker-than-expected second-quarter results.

After considering the foregoing and other relevant factors and risks, and their overall impact on the stockholders and other constituencies of Harte Hanks, the board of directors of Harte Hanks concluded that the anticipated benefits of the Merger outweighed the anticipated risks of the transaction. Accordingly, the board of directors of Harte Hanks unanimously approved and deemed advisable the Merger Agreement and the Merger, and the board of directors of Harte Hanks unanimously recommends that Harte Hanks stockholders vote “**FOR**” the Harte Hanks Merger Proposal.

It should be noted that this explanation of the board of directors of Harte Hanks’ reasoning and all other information presented in this section includes information that is forward-looking in nature, and, therefore, should be read in light of the factors discussed under the heading “Cautionary Statement Regarding Forward-Looking Statements.”

Harte Hanks stockholders should also be aware that directors and executive officers of Harte Hanks may have interests in the Merger that are different from, or in addition to, those of other Harte Hanks stockholders. See “Interests of Harte Hanks Executive Officers and Directors in the Merger.”

Unaudited Prospective Financial Information

Harte Hanks does not, as a matter of course, publicly disclose forecasts as to future performance, earnings or other results due to the unpredictability of the underlying assumptions and estimates. However, Harte Hanks has included in this proxy statement a summary of certain unaudited prospective financial information of Harte Hanks for fiscal years 2026 through 2029 (the “**Financial Forecasts**”), certain of which were furnished to our financial advisor and to Star Equity.

The Financial Forecasts were not prepared with a view toward public disclosure or complying with the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial data, published guidelines of the SEC regarding forward-looking statements or generally accepted accounting principles in the United States (“GAAP”).

No assurances can be made regarding future events, and the estimates and assumptions underlying the Financial Forecasts involve judgments with respect to, among other things, future economic, competitive, regulatory and financial market conditions and future business decisions that may not be realized and that are inherently subject to significant business, economic, competitive and regulatory uncertainties and contingencies, including, among other things, the inherent uncertainty of the business and economic conditions affecting the marketing and business services industries in which Harte Hanks operates, the timing and financing of future growth and development projects, and the risks and uncertainties described in the section of this proxy statement entitled “Cautionary Statement Regarding Forward-Looking Statements,” all of which are difficult to predict and many of which are outside the control of Harte Hanks and, upon consummation of the Merger, will be beyond the control of Parent and the surviving corporation. Company stockholders are urged to review Harte Hanks’ SEC filings for a description of risk factors with respect to Harte Hanks’ business. There can be no assurance that the assumptions underlying the Financial Forecasts will prove to be accurate or that the projected results will be realized. Actual results may differ materially from those reflected in the Financial Forecasts, whether or not the Merger is consummated. The inclusion in this proxy statement of the Financial Forecasts should not be regarded as an indication that Harte Hanks, the Board, our financial advisors or any other person considered, or now consider, these forecasts to be a reliable predictor of future results.

The Financial Forecasts, while presented with numerical specificity, were based on numerous variables and assumptions that necessarily involve judgments with respect to, among other things, future economic, competitive, regulatory and financial market conditions, all of which are difficult or impossible to predict and many of which are beyond Harte Hanks' control. Because the Financial Forecasts cover multiple years, by their nature, they become subject to greater uncertainty with each successive year. In addition, the Financial Forecasts may be affected by Harte Hanks' ability to achieve strategic goals, objectives and targets over the applicable periods.

The Financial Forecasts are not fact, and neither they nor any underlying assumptions should be relied on as being indicative of future results. The Financial Forecasts are not, and should not be considered to be, a guarantee of future operating results. In light of the foregoing factors and the uncertainties inherent in the Financial Forecasts, readers of this proxy statement are cautioned not to place undue, if any, reliance on the Financial Forecasts included in this proxy statement, including in making a decision as to whether to vote in favor of adoption of the Merger Agreement.

The Financial Forecasts assumed that Harte Hanks would continue to operate as a standalone company, assume organic company growth without business expansions from mergers and acquisitions or alternative business models, and do not anticipate any material acquisitions or divestitures by Harte Hanks. The Financial Forecasts do not take into account any circumstances, transactions or events occurring after the date on which the Financial Forecasts were prepared and do not give effect to any changes or expenses incurred after the date on which they were made, including as a result of the Merger or any effects of the Merger. The Financial Forecasts also do not reflect any divestitures or other restrictions that may be imposed in connection with the receipt of any necessary governmental or regulatory approvals, or any changes to Harte Hanks' operations or strategy that may be implemented after completion of the Merger.

Certain of the financial measures included in the Financial Forecasts are "non-GAAP financial measures." These are financial performance measures that are not calculated in accordance with GAAP. Investors should also note that the non-GAAP financial measures presented in this proxy statement are not prepared under any comprehensive set of accounting rules or principles and do not reflect all of the amounts associated with Harte Hanks' results of operations as determined in accordance with GAAP. Investors should also note that the non-GAAP financial measures presented in this proxy statement have no standardized meaning prescribed by GAAP and, therefore, have limits in their usefulness to investors. The non-GAAP financial measures in this proxy statement may be calculated differently from, and may not be directly comparable to, similarly titled measures used by Harte Hanks' competitors and other companies.

Due to the inherent limitations of non-GAAP financial measures, investors should consider non-GAAP measures only as a supplement to, not as a substitute for or as a superior measure to, measures of financial performance prepared in accordance with GAAP.

The non-GAAP financial measures included in the Financial Forecasts were prepared by Harte Hanks' management and reviewed by the Board for use by and were used and relied on at the direction of Harte Hanks' management by its Financial Advisors in connection with rendering its opinion and performing its financial analysis in connection therewith and by the Board for its consideration of the Merger. Financial measures included in forecasts provided to a financial advisor and a Board in connection with a business combination transaction, such as the Financial Forecasts, are excluded from the definition of "non-GAAP financial measures" under applicable SEC rules and regulations. As a result, the Financial Forecasts are not subject to SEC rules regarding disclosures of non-GAAP financial measures, which would otherwise require a reconciliation of a non-GAAP financial measure to the most directly comparable GAAP financial measure. Reconciliations of these non-GAAP financial measures were not provided to or relied on by the Board or our Financial Advisors in connection with their respective evaluations of the Merger. Accordingly, Harte Hanks has not provided a reconciliation of the non-GAAP financial measures included in the Financial Forecasts to the relevant GAAP financial measures.

The Financial Forecasts included in this document have been prepared by, and are the responsibility of, Harte Hanks' management. Wolf & Company P.C., Harte Hanks' independent registered public accounting firm, has not audited, reviewed, examined, compiled or applied agreed-upon procedures with respect to the accompanying Financial Forecasts and, accordingly, Wolf & Company P.C. does not express an opinion or any other form of assurance with respect thereto.

By including in this proxy statement the Financial Forecasts below, neither Harte Hanks nor any of its representatives has made or makes any representation to any person regarding the ultimate performance of Harte Hanks compared to the information contained in the Financial Forecasts. Harte Hanks makes and has made no representation to Parent or Merger Sub, in the Merger Agreement or otherwise, concerning the Financial Forecasts.

Accordingly, the Financial Forecasts should not be construed as financial guidance, nor relied on as such, and the Financial Forecasts may differ in important respects from other guidance provided by Harte Hanks and which Harte Hanks' management prepared based on a different set of assumptions. The inclusion of the Financial Forecasts in this proxy statement does not constitute an admission or representation by Harte Hanks that the information contained therein is material. The Financial Forecasts reflected the opinions, estimates and judgments of Harte Hanks' management at the time they were prepared and have not been updated to reflect any subsequent changes. NONE OF HARTE HANKS, PARENT, MERGER SUB OR, AFTER CONSUMMATION OF THE MERGER, THE SURVIVING CORPORATION, UNDERTAKES ANY OBLIGATION, EXCEPT AS REQUIRED BY LAW, TO UPDATE OR OTHERWISE REVISE THE FINANCIAL FORECASTS TO REFLECT CIRCUMSTANCES EXISTING SINCE THEIR PREPARATION, CHANGES IN GENERAL ECONOMIC OR INDUSTRY CONDITIONS OR THE OCCURRENCE OF UNANTICIPATED EVENTS, EVEN IN THE EVENT THAT ANY OR ALL OF THE UNDERLYING ASSUMPTIONS ARE SHOWN TO BE IN ERROR.

The Financial Forecasts were prepared by Harte Hanks' management in connection with management's long range plan for Harte Hanks, and reviewed by the Board, in the ordinary course of business as part of its strategic planning. The Financial Forecasts reflect assumptions as to certain business decisions that are subject to change, including, but not limited to, assumptions regarding: revenue growth rates across Harte Hanks' segments; overall industry performance, competitive landscape and market conditions; wage and employee expense escalation; and changes in net working capital. The foregoing is a summary of certain key assumptions and does not purport to be a comprehensive overview of all assumptions reflected in the Financial Forecasts.

The Financial Forecasts were relied on by the Board in reaching its determination on August 13, 2026 to authorize and approve the execution, delivery and performance by Harte Hanks of the Merger Agreement, to declare the Merger Agreement advisable and to resolve to recommend that the holders of Company Common Stock adopt the Merger Agreement and were used at the direction of the management of Harte Hanks and reviewed by the Board for use and reliance by our financial advisors in connection with presenting its financial analyses to the Board on August 12, 2026 followed by the rendering and delivery to the Board of its opinion dated as of August 12, 2026, as summarized in the section of this proxy statement entitled "*Opinion of Harte Hanks' Financial Advisor.*"

The following table sets forth a summary of the Financial Forecasts. The summary of the Financial Forecasts is not included in this proxy statement to induce any Company stockholder to vote in favor of adopting the Merger Agreement proposal or approving any other proposals to be voted on at the Special Meeting or to influence any Company stockholder or holder of rollover shares to make any investment decision with respect to the Merger.

Financial Forecasts

(\$ in millions)	2026E	2027E	2028E	2029E
Revenues	\$ 160.2	\$ 166.1	\$ 173.7	\$ 182.5
EBITDA	\$ 3.4	\$ 6.9	\$ 9.1	\$ 11.2
(+) Restructure/Severance	0.8	-	0.1	0.1
(+) Stock Compensation	0.9	0.9	0.9	0.9
(+) Strategic Alternative Effort	2.5	-	-	-
ADJ EBITDA	\$ 7.5*	\$ 7.8	\$ 10.1	\$ 12.2
Less: Changes in NWC	\$ (2.4)	\$ (2.9)	\$ (2.9)	\$ (2.9)
Less: Capital Expenditures	(0.6)	(0.6)	(0.6)	(0.6)
Unlevered Free Cash Flow	\$ 4.5	\$ 4.3	\$ 6.6	\$ 8.7

* does not sum due to rounding.

Opinion of Harte Hanks' Financial Advisor

Citizens JMP Securities, LLC ("Citizens") was retained by Harte Hanks to act as its financial advisor in connection with the Merger and, upon Harte Hanks' request, to render its fairness opinion to the board of directors of Harte Hanks in connection therewith. Harte Hanks selected Citizens to act as its financial advisor based on Citizens' qualifications, expertise and reputation, its knowledge of Harte Hanks' industry and its knowledge and understanding of the business and affairs of Harte Hanks.

At a meeting of the board of directors of Harte Hanks on August 12, 2026, Citizens rendered its oral opinion, subsequently confirmed in its written opinion dated August 12, 2026, to the board of directors of Harte Hanks that, as of the date thereof and based upon and subject to, among other things, the assumptions made, procedures followed, matters considered, and qualifications and limitations on the review undertaken by Citizens in connection with the opinion (which are stated in its written opinion), the Merger Consideration to be received by the holders of Harte Hanks Common Stock (other than Owned Company Shares (as defined in the Merger Agreement)) in the Merger was fair to such holders from a financial point of view.

*The full text of Citizens' written opinion delivered to the board of directors of Harte Hanks, dated August 12, 2026, is attached as **Annex B** to this proxy statement/prospectus and incorporated into this proxy statement/prospectus by reference in its entirety. Citizens' written opinion has been provided by Citizens at the request of the board of directors of Harte Hanks and is subject to, among other things, the assumptions made, procedures followed, matters considered, and qualifications and limitations on the review undertaken by Citizens in connection with the opinion (which are stated therein). You are encouraged to read the opinion carefully in its entirety.*

Citizens provided its opinion to the board of directors of Harte Hanks, in its capacity as such, in connection with and for purposes of its evaluation of the Merger only and Citizens' opinion does not constitute a recommendation as to any action the board of directors of Harte Hanks should take with respect to the Merger or how any holder of Harte Hanks Common Stock should vote or act with respect to the Merger or any other matter.

The following is a summary of Citizens' opinion and the methodology that Citizens used to render its opinion. This summary of Citizens' opinion contained in this proxy statement is qualified in its entirety by reference to the full text of Citizens' written opinion.

In arriving at its opinion, Citizens, among other things:

- (i) reviewed certain publicly available financial statements and certain other business and financial information relating to Harte Hanks furnished to Citizens;
- (ii) reviewed certain internal financial statements and other financial and operating data concerning Harte Hanks prepared by the management of Harte Hanks;
- (iii) reviewed certain financial forecasts prepared by the management of Harte Hanks;

- (iv) compared the financial performance of Harte Hanks with that of certain other publicly-traded companies that Citizens believed were generally comparable to Harte Hanks;
- (v) reviewed the financial terms, to the extent publicly available, of certain acquisition transactions involving companies in lines of business that Citizens believed were generally comparable to Harte Hanks;
- (vi) participated in discussions with members of the senior management of Harte Hanks with respect to the business prospects and financial outlook of Harte Hanks;
- (vii) reviewed the Merger Agreement draft dated as of August 10, 2026 and certain related documents; and
- (viii) performed such other analysis and considered such other factors as Citizens deemed appropriate.

In conducting its review and arriving at its opinion, Citizens has assumed and relied, without independent verification, upon the accuracy and completeness of all information and data that was publicly available or furnished to or otherwise reviewed by or discussed with Citizens. Citizens has further relied upon the assurance of the management of Harte Hanks that they are not aware of any facts or circumstances that would make such information inaccurate or misleading. With respect to the financial forecasts of Harte Hanks, the management of Harte Hanks has advised Citizens, and Citizens has assumed, that they have been reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of Harte Hanks as to the future financial performance of Harte Hanks and other matters covered thereby. Citizens has not been engaged to assess the reasonableness or achievability of such forecasts or the assumptions on which they were based and expresses no view as to such forecasts or assumptions.

For purposes of rendering its opinion, Citizens has assumed that the representations and warranties of each party contained in the Merger Agreement are true and correct, that each party will perform all of the covenants and agreements required to be performed by it under the Merger Agreement and that all conditions to the consummation of the Merger will be satisfied without waiver thereof. Citizens has assumed that the final form of the Merger Agreement will not vary materially from the last draft Merger Agreement reviewed by Citizens and that the Merger will be consummated substantially on the terms described in such draft, without any amendment or waiver of material terms or conditions. Citizens has also assumed that all necessary governmental, regulatory and other consents and approvals contemplated by the Merger Agreement will be obtained and that in the course of obtaining those consents and approvals no costs or restrictions will be imposed or waivers made that would have an adverse effect on the contemplated benefits of the Merger.

Company Financial Analyses

In connection with rendering its opinion, Citizens performed certain financial, comparative and other analyses as summarized below. In arriving at its opinion, Citizens did not ascribe a specific range of values to the shares of Harte Hanks Common Stock but rather made its determination as to fairness, from a financial point of view, to the holders of shares of Harte Hanks Common Stock (other than Owned Company Shares) of the Merger Consideration to be received by such holders pursuant to the Merger Agreement on the basis of various financial and comparative analyses. The preparation of a fairness opinion is a complex process and involves various determinations as to the most appropriate and relevant methods of financial and comparative analyses and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to summary description.

In arriving at its opinion, Citizens did not attribute any particular weight to any single analysis or factor considered by it but rather made qualitative judgments as to the significance and relevance of each analysis and factor relative to all other analyses and factors performed and considered by it and in the context of the circumstances of the Merger. Accordingly, Citizens believes that its analyses must be considered as a whole, as considering any portion of such analyses and factors, without considering all analyses and factors as a whole, could create a misleading or incomplete view of the process underlying its opinion. The following is a summary of the material financial analyses used by Citizens in preparing its opinion to the board of directors of Harte Hanks. Certain financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses used by Citizens, the tables must be read together with the text of each summary, as the tables alone do not constitute a complete description of the financial analyses.

In performing its analyses, Citizens made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Harte Hanks, Star or any other parties to the Merger. None of Harte Hanks, Star, Citizens or any other person assumes responsibility if future results are materially different from those discussed. Any estimates contained in these analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than as set forth below. In addition, analyses relating to the value of businesses do not purport to be appraisals or reflect the prices at which the businesses may actually be sold.

Selected Public Companies Analysis

Citizens reviewed and compared specific financial, operating and public trading data relating to Harte Hanks with selected publicly traded companies that Citizens deemed comparable to Harte Hanks. Using publicly available financial data and closing stock prices as of August 7, 2026, Citizens calculated, among other things, total enterprise value (calculated as the equity value based on fully diluted shares outstanding, plus debt and less cash and cash equivalents) (“TEV”) as a multiple of estimated calendar year 2026 adjusted EBITDA (“EV/CY2026E EBITDA”) and estimated calendar year 2027 adjusted EBITDA (“EV/CY2027E EBITDA”). Estimated financial data of the selected companies were based on publicly available research analysts’ estimates. A summary of the selected companies and the relevant metrics is set forth below:

	EV/CY2026E EBITDA	EV/CY2027E EBITDA
YOC AG	5.3x	4.0x
Vianet Group	4.2x	4.1x
Microlise Group	3.4x	2.8x
Mean	4.3x	3.6x
Median	4.2x	4.0x

Citizens, based on its professional judgment, selected the comparable companies because Citizens believed their businesses and operating profiles are reasonably similar to that of Harte Hanks. However, because of the inherent differences between the businesses, operations and prospects of Harte Hanks and those of the comparable companies, Citizens believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the selected comparable company analysis. Accordingly, Citizens also made qualitative judgments concerning differences between the businesses, financial and operating characteristics and prospects of Harte Hanks and the comparable companies that could affect the public trading values of each in order to provide a context in which to consider the results of the quantitative analysis. After reviewing the above analyses, Citizens selected a representative range of multiples and applied these ranges to Harte Hanks’ estimated adjusted EBITDA for calendar years 2026 and 2027 based on the forecasts to calculate a range of implied total enterprise values, from which Citizens subtracted Harte Hanks’ estimated net debt to calculate a range of implied equity values, and divided the resulting amounts by the number of fully diluted shares of Harte Hanks Common Stock outstanding as provided by Harte Hanks management, to calculate a range of implied prices per share of Harte Hanks Common Stock. The following summarizes the results of these calculations:

	Multiples	Implied prices per share of Harte Hanks Common Stock
EV/CY2026E EBITDA:	3.8x - 4.7x	\$1.84 – \$2.70
EV/CY2027E EBITDA:	3.6x - 4.4x	\$1.77 – \$2.60

Selected Precedent Transactions Analysis

Citizens reviewed, to the extent publicly available, and analyzed the valuation and financial metrics relating to selected transactions involving target companies in lines of business that Citizens believed were generally comparable to Harte Hanks, including companies providing outsourced business services, customer experience management, business process outsourcing and logistics services. For each precedent transaction, Citizens reviewed the TEV of the target company in the transaction as a multiple of the target company's trailing twelve months adjusted EBITDA at the time of the announcement of the relevant transaction ("EV/TTM EBITDA"). Estimated financial data of the selected transactions were based on publicly available information at the time of announcement of the relevant transaction. A summary of the selected transactions and the relevant metrics is set forth below:

Year Announced	Target	Acquiror	EV/TTM EBITDA
2025	Burroughs	Loomis	6.5x
2023	CBW Resources	Super Group Holdings	4.2x
2022	HyperPointe	XpresSpa Group	5.4x
2020	Personiv	eClerx	4.7x
Mean			5.2x
Median			5.1x

Citizens, based on its professional judgment, selected the comparable transactions because Citizens believed their businesses and operating profiles are reasonably similar to that of Harte Hanks. However, because of the inherent differences between the businesses, operations and prospects of Harte Hanks and those of the companies involved in the selected transactions, Citizens believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the selected precedent transaction analysis. Accordingly, Citizens also made qualitative judgments concerning differences between the selected precedent transactions and the Merger that would affect the acquisition values of the selected target companies and Harte Hanks. After reviewing the above analyses, Citizens selected a representative range of EV/EBITDA multiples and applied this range to Harte Hanks' estimated adjusted EBITDA for calendar years 2026 and 2027 as provided by Harte Hanks' management to calculate a range of implied total enterprise values, from which Citizens subtracted Harte Hanks' estimated net debt, and divided the resulting amounts by the number of fully diluted shares of Harte Hanks Common Stock outstanding as provided by Harte Hanks management, to calculate a range of implied prices per share of Harte Hanks Common Stock. The following summarizes the results of these calculations:

	Multiples	Implied prices per share of Harte Hanks Common Stock
EV/CY2026E EBITDA:	4.6x - 5.6x	\$2.61 - \$3.64
EV/CY2027E EBITDA:	4.6x - 5.6x	\$2.81 - \$3.88

Discounted Cash Flow Analysis

In order to estimate the present value of Harte Hanks Common Stock, Citizens performed a discounted cash flow analysis of Harte Hanks. A discounted cash flow analysis is a traditional valuation methodology used to derive a valuation of an asset by calculating the "present value" of estimated future cash flows generated by the asset. "Present value" refers to the current value of future cash flows or amounts and is obtained by discounting those future cash flows or amounts by a discount rate that takes into account macroeconomic assumptions and estimates of risk, the opportunity cost of capital, expected returns and other appropriate factors.

To calculate the estimated enterprise value of Harte Hanks using the discounted cash flow method, Citizens added (a) Harte Hanks' projected after-tax unlevered free cash flows for fiscal years 2026 through 2029 based on the forecasts, to (b) a range of "terminal values" of Harte Hanks, and discounted such amounts to their present value using a range of selected discount rates of 14.5% to 16.5%. The after-tax unlevered free cash flows were calculated by taking the tax-affected adjusted EBIT (defined as adjusted EBITDA less depreciation and amortization), adding depreciation and amortization, subtracting changes in net working capital, capital expenditures and severance costs. The residual value of Harte Hanks at the end of the projection period, or "terminal value," was estimated by applying an exit EBITDA multiple range of 3.6x to 4.4x to Harte Hanks' terminal year 2029 adjusted EBITDA of approximately \$12.2 million from the forecasts. The range of exit EBITA multiples of 3.6x to 4.4x was selected based on Citizens analysis of the selected companies and its' professional judgement. The range of after-tax discount rates of 14.5% to 16.5% was selected based on Citizens' analysis of the weighted average cost of capital of Harte Hanks, derived by application of the capital asset pricing model, taking into account, among other things, the risk-free rate based on the yield on ten-year U.S. Treasury securities, an equity risk premium, the relevered beta for Harte Hanks derived from the comparable public companies, and a size premium reflective of Harte Hanks' market capitalization.

Citizens then calculated a range of implied values per share of Harte Hanks Common Stock by subtracting Harte Hanks' estimated net debt from the estimated enterprise value derived using the discounted cash flow method and dividing such amount by the number of fully diluted shares of Harte Hanks Common Stock outstanding as provided by Harte Hanks management. The following summarizes the results of these calculations:

Implied prices per share of Harte Hanks Common Stock:

Discounted Cash Flow Analysis: \$3.57 – \$4.44

Star Preferred Stock Analysis

Citizens analyzed the Star Preferred Stock to be issued as Merger Consideration at various reference prices, including the current trading price of \$10.06, the liquidation preference of \$10.00, the 30-day VWAP of \$10.04, the 10-day VWAP of \$10.11, the 52 week high of \$10.92 and the 52 week low of \$8.75, calculating the implied value of the preferred stock consideration and the aggregate implied purchase price at each reference price, which ranged from \$4.69 to \$5.23.

General

Citizens is not a legal, tax or regulatory advisors and relied upon, without independent verification, the assessment of Harte Hanks and its legal, tax or regulatory advisors with respect to legal, tax or regulatory matters. Citizens is not in the business of appraising tangible assets and has not made any independent valuation or appraisal of any or all of the assets or liabilities (including any contingent, derivative or off-balance-sheet assets or liabilities) of Harte Hanks, nor has Citizens been furnished with any such valuations or appraisals. In addition, Citizens has not evaluated the solvency of any party to the Merger Agreement under any state or federal laws relating to bankruptcy, insolvency or similar matters. Citizens' opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Citizens as of, the date of the Merger Agreement. Events occurring after the date of the opinion may affect the opinion and the assumptions used in preparing it, and Citizens does not assume any obligation to update, revise or reaffirm the opinion.

Citizens was not requested to consider, and its opinion does not address, Harte Hanks' underlying business decision to enter into the Merger Agreement and pursue the Merger, or the relative merits of the Merger as compared to any alternative business strategies that might exist for Harte Hanks or the effect of any other transaction in which Harte Hanks might engage. Citizens was not requested to consider, and its opinion does not address, the non-financial terms of the Merger Agreement or the Merger, nor does it address the terms of any of the related agreements to be entered into by the parties. Its opinion addresses only the Merger Consideration to be received by the holders of Harte Hanks Common Stock (other than Owned Company Shares) in the Merger. Citizens was not requested to consider, and its opinion does not address, the fairness of any consideration to be received in the Merger by the holders of any other class or series of capital stock, creditors or other constituencies of Harte Hanks, the allocation of the Merger Consideration amongst the holders of any class or series of capital stock, creditors or other constituencies of Harte Hanks, the conversion ratio pursuant to the Merger Agreement for any class or series of capital stock or any election, proration or adjustment of the Merger Consideration. Citizens has assumed that the value of the Star Preferred Stock is the liquidation preference of \$10.00 per share, and Citizens expressed no opinion as to the price at which the Star Preferred Stock may be sold in the future. Furthermore, Citizens expressed no opinion with respect to the amount or nature of any compensation to be received by any officers, directors or employees of any party to the Merger, or any class of such persons, relative to the Merger Consideration to be paid to the holders of Harte Hanks Common Stock in the Merger or otherwise, or with respect to the fairness of any such compensation.

Citizens, as part of its investment banking business, is customarily engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of securities, private placements and valuations for estate, corporate and other purposes.

Citizens has acted as financial advisor to Harte Hanks in connection with the Merger and will receive a fee for its services, a portion of which is payable for providing the opinion and a significant portion of which will become payable only if the Merger is consummated. In addition, Harte Hanks has agreed to indemnify Citizens against certain liabilities arising out of its engagement. Citizens has not otherwise had a material relationship with, nor otherwise received fees from, Harte Hanks or any other party to the Merger during the two years preceding the date of the opinion.

In the ordinary course of its trading, brokerage, investment management and financing activities, Citizens or its affiliates may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of customers, in debt or equity securities of other companies or any currency that may be involved in the Merger. In the future, Citizens may maintain other relationships with, and provide advisory and other services to Harte Hanks, Star and their respective affiliates, and may receive fees for providing such services.

The opinion was given at the request of, and was intended for the benefit and use of, the board of directors of Harte Hanks in connection with its consideration of the Merger, and it is not intended to be and does not constitute a recommendation to any stockholder of Harte Hanks as to how such stockholder should vote or act on any matter relating to the Merger.

For more information, see **Annex B**.

Citizens JMP Securities, LLC's Relationship with Harte Hanks and Star

Citizens JMP Securities, LLC ("**Citizens**") is acting as financial advisor to Harte Hanks in connection with the Merger. Harte Hanks selected Citizens based on Citizens' qualifications, expertise and reputation in providing financial advisory services in transactions similar to the Merger, as well as Citizens' familiarity with Harte Hanks and its business. Oaklins DP, LLC ("**ODP**") is also serving as a financial advisor to Harte Hanks in connection with the Merger.

Pursuant to an engagement letter dated May 8, 2026 between Harte Hanks and ODP (the "**ODP Engagement Letter**"), together with a separate engagement letter dated May 8, 2026 between Harte Hanks and Citizens (the "**Citizens Engagement Letter**", and together with the ODP Engagement Letter, the "**Advisor Engagement Letters**"), Harte Hanks engaged Citizens and ODP as co-advisors to provide financial advisory and investment banking services in connection with a sale of Harte Hanks. Pursuant to the Advisor Engagement Letters and the Retainer Fee Split Agreement between ODP and Citizens dated May 20, 2026, the aggregate success fee described below (excluding expense reimbursements) is allocated 75% (\$1,500,000) to Citizens and 25% (\$500,000) to ODP. Harte Hanks has agreed to pay Citizens and ODP an aggregate success fee of \$2,000,000 in connection with the Merger. Of the aggregate success fee, (i) \$100,000, of which \$25,000 is allocable to ODP, became payable to Citizens upon execution of the Citizens Engagement Letter as a retainer fee, which is credited against Citizens' and ODP's respective portions of the success fee, (ii) \$750,000 became payable to Citizens upon delivery of its opinion as an opinion fee, which is credited against Citizens' portion of the success fee, and which was not contingent upon the conclusion reached in the opinion or the consummation of the Merger and (iii) the remaining \$1,150,000 (consisting of \$675,000 payable to Citizens and \$475,000 payable to ODP) is contingent upon the consummation of the Merger. Harte Hanks has also agreed to reimburse ODP for its reasonable and documented out-of-pocket expenses, and to reimburse Citizens for its reasonable and documented expenses, and to indemnify each of ODP and Citizens and certain related parties against certain liabilities that may arise out of their engagement.

During the two years preceding the date of its opinion, other than pursuant to the Advisor Engagement Letters, Citizens and its affiliates have not had a material relationship with, received fees from, or provided investment banking or other financial services to, Harte Hanks or its affiliates or Star or its affiliates. During the same period, other than pursuant to the Advisor Engagement Letters, ODP and its affiliates have not had a material relationship with, received fees from, or provided investment banking or other financial services to, Harte Hanks or its affiliates or Star or its affiliates.

Certain Estimated Synergies Attributable to the Merger

The management of Star and the management of Harte Hanks developed and provided to their respective boards of directors certain prospective financial information relating to the anticipated strategic, financial and operational benefits to, and synergies to be realized by, Star following the completion of the Merger beginning in 2027.

In connection with Star's evaluation of the Merger, Star management prepared and provided to the Star board of directors certain preliminary estimates regarding the potential strategic, financial and operational benefits expected to result from the Merger. These estimates were prepared as part of Star's preliminary due diligence process and were based on information available at the time, including assumptions that were subject to further diligence, negotiation and integration planning.

Star management's preliminary estimates identified potential annual run-rate cost synergies of approximately \$15.0 million, consisting of approximately \$10.0 million of public-company and corporate-overhead cost savings and up to approximately \$5.0 million of operational cost savings. Star management viewed the public-company and corporate-overhead cost savings as the higher-confidence and more near-term component of the preliminary synergy estimate. The operational cost-savings estimate was expected to be phased in over an integration period.

The public-company and corporate-overhead savings were expected to result principally from eliminating duplicative costs associated with operating Harte Hanks as a standalone public company, including listing, audit, legal, insurance, investor-relations and corporate general-and-administrative expenses. The operational cost savings were expected to result from the consolidation of certain back-office functions onto Hudson Talent Solutions' infrastructure, including systems, facilities and procurement, as well as from leveraging Star's sales, marketing, finance, human-resources and information-technology capabilities across the combined business-services platform.

For purposes of Star's preliminary pro forma analysis, Star management assumed the realization of \$10.0 million of public-company cost synergies in each of fiscal years 2027, 2028 and 2029, and operational cost synergies of \$2.0 million in fiscal year 2027, \$4.0 million in fiscal year 2028 and \$5.0 million in fiscal year 2029. The presentation did not assume any revenue synergies in the pro forma financial projections.

Star management also identified potential revenue opportunities from cross-selling among Hudson Talent Solutions, Harte Hanks and Star's other business-services operations. In particular, Star management believed that the businesses' shared blue-chip clients and common purchasing decision-makers could create opportunities to offer a broader range of outsourcing services across the combined platform. However, Star management had not quantified these potential revenue opportunities, did not include them in the preliminary pro forma analysis and did not treat them as part of the estimated cost synergies described above.

The preliminary estimates also did not quantify the one-time costs necessary to achieve the anticipated synergies. Star identified severance, systems migration, the wind-down of duplicative corporate and public-company functions, employee retention, pension administration and other integration-related matters as items requiring further diligence and integration planning.

The estimated synergies are forward-looking statements and are subject to numerous assumptions, risks and uncertainties. The estimated synergies may not be achieved in full or at all, may be achieved later than anticipated, and may be offset in whole or in part by integration costs, transaction costs, costs necessary to retain employees or customers, operating dis-synergies, revenue declines, changes in market conditions or other factors. In particular, the preliminary presentation noted that the estimates were subject to confirmatory diligence and that actual results could differ materially.

See above in this section for further information regarding the uncertainties underlying the prospective financial information, including the synergy estimates, as well as the sections entitled “Cautionary Statement Regarding Forward-Looking Statements” and “Risk Factors” beginning on pages 40 and 42, respectively, for further information regarding the uncertainties and factors associated with realizing synergies in connection with the Merger.

Interests of Harte Hanks Directors and Executive Officers in the Merger

The interests of Harte Hanks directors and executive officers in the Merger are described below, including the treatment of equity awards, transaction bonuses, severance amendments and Voting and Support Agreements.

Voting and Support Agreements

Each supporting stockholder entered into the applicable Voting and Support Agreement solely in his or her capacity as a Harte Hanks stockholder and not in his or her capacity as a director, officer or employee of Harte Hanks.

As of the Record Date, the supporting stockholders beneficially own, in the aggregate, [____] shares of Harte Hanks Common Stock, representing approximately [____]% of the outstanding shares of Harte Hanks Common Stock. The Voting and Support Agreements cover the Owned Shares. Until the applicable Voting and Support Agreement terminates, each supporting stockholder has agreed, at every Harte Hanks stockholder meeting, including the Harte Hanks Special Meeting, and at every adjournment or postponement of any such meeting, and in any written consent or other circumstance in which Harte Hanks stockholder approval is sought, to appear at the meeting or otherwise cause his or her owned shares to be counted as present for purposes of establishing a quorum; to vote, or cause to be voted, all owned shares in favor of the adoption of the Merger Agreement and approval of the Merger and the other transactions contemplated by the Merger Agreement; to vote all owned shares against any action that would reasonably be expected to impede, frustrate, interfere with, delay, postpone, prevent, nullify or adversely affect the approval of the Merger Agreement or the Merger, result in a breach of the supporting stockholder’s obligations under the applicable Voting and Support Agreement or, to the supporting stockholder’s knowledge, result in a material breach by Harte Hanks of its obligations under the Merger Agreement; and to vote all owned shares against any Acquisition Proposal, other than the Merger, any proposal made in opposition to, in competition with or inconsistent with the Merger, or any alternative Merger, consolidation, combination, sale of substantial assets, reorganization, recapitalization, dissolution, liquidation or winding up involving Harte Hanks. Each supporting stockholder also agreed not to commit, agree or publicly propose to take any action inconsistent with these voting commitments.

Each supporting stockholder has agreed not to transfer any owned shares before the applicable Voting and Support Agreement terminates, except for specified permitted transfers. Permitted transfers include transfers by operation of laws of descent and distribution upon death, pursuant to a qualified domestic-relations order, divorce settlement, divorce decree or separation agreement, in connection with a legal, regulatory or other order, or to or with an affiliate of the supporting stockholder; any transferee in a permitted transfer must agree to be bound by the applicable Voting and Support Agreement. The agreement expressly provides that holding shares in a margin account or pledging shares under the terms of such an account does not itself constitute a prohibited transfer. Each supporting stockholder also agreed not to enter into a voting agreement or voting trust, grant a proxy or power of attorney, or enter into any other agreement or undertaking, in each case with respect to owned shares, that is inconsistent with or would interfere with the obligations under the applicable Voting and Support Agreement. Any purported transfer or vote in violation of the applicable Voting and Support Agreement is void ab initio.

Each supporting stockholder agreed to comply with the Merger Agreement’s no-solicitation and public-statements-and-disclosure provisions as though the supporting stockholder were an original signatory to the Merger Agreement and, for purposes of the no-solicitation provision, as though references to Harte Hanks also referred to the supporting stockholder. These obligations do not require a supporting stockholder to take or refrain from taking any action in his or her capacity as a Harte Hanks director or officer and do not limit the exercise of the supporting stockholder’s fiduciary duties in that capacity. Until termination of the applicable Voting and Support Agreement, each supporting stockholder also has agreed not to commence, join, facilitate, assist or encourage, and to take all actions within his or her power necessary to opt out of, a class action or other claim against Star, Merger Sub, Harte Hanks or their respective successors or directors that challenges the validity of, or seeks to enjoin the operation of, any provision of the Voting and Support Agreement or alleges a breach of fiduciary duty in connection with the evaluation, negotiation or entry into the Merger Agreement. This covenant does not apply to claims arising out of fraud and does not limit a supporting stockholder’s ability to enforce rights under the Voting and Support Agreement or other transaction agreements to which he or she is a party.

Each Voting and Support Agreement terminates upon the earliest of the Effective Time; the valid termination of the Merger Agreement in accordance with its terms; an adverse recommendation change by the board of directors of Harte Hanks in accordance with the Merger Agreement; an amendment or modification of the Merger Agreement, without the applicable supporting stockholder’s consent, that reduces or changes the form, timing or allocation of the Merger Consideration payable to Harte Hanks stockholders or otherwise changes the material terms of the Merger Agreement in a manner materially adverse to Harte Hanks stockholders; or the mutual written agreement of Star, Harte Hanks and the applicable supporting stockholder. Termination does not relieve a party of liability for a material willful or intentional breach of, or fraud in connection with, the applicable Voting and Support Agreement.

See “Voting and Support Agreements” for additional information about these agreements.

Amendments to Employment Agreements

In connection with the Merger, Harte Hanks amended the employment agreement with each of David Fisher, President of Harte Hanks, and David A. Garrison, Chief Financial Officer of Harte Hanks, in each case, to provide for a closing incentive bonus and to modify the treatment of severance payable under the employment agreement. Each amendment is conditional upon, and effective as of, the Closing.

In consideration of their efforts to consummate the Merger, and in lieu of any 2026 annual bonus award for which they otherwise would have been eligible under the Harte Hanks annual incentive plan, Mr. Fisher and Mr. Garrison will receive a closing incentive bonus of \$200,000 and \$150,000, respectively. The bonus will be payable to each executive upon the Closing, provided that he has not voluntarily left employment with Harte Hanks before the Closing.

Before the amendment, the severance, in the form of continued payment of base salary for 12 months, that would be payable to each of Mr. Fisher and Mr. Garrison under his employment agreement on termination without “cause” or resignation for “good reason” (as such terms are defined in the employment agreement) ceased if he obtained other employment before the severance was paid in full. The amendment waives the requirement that he remain unemployed in order to receive the severance benefits, provided that he remains employed by Harte Hanks through the Closing.

Other than these revisions, the terms of each executive’s employment agreement remain unchanged.

Acceleration of Equity Awards and Conversion into Merger Consideration

At the Effective Time, each RSU identified on the disclosure schedules to the Merger Agreement that remains outstanding immediately prior to the Effective Time will be cancelled and converted into the right to receive Merger Consideration with respect to each share of Harte Hanks Common Stock underlying such RSU, and each Harte Hanks stock option identified on the disclosure schedules to the Merger Agreement that is outstanding and unexercised immediately prior to the Effective Time will automatically be cancelled and converted into the right to receive Merger Consideration based on the in-the-money value of such option.

The following table sets forth the number of RSUs held by each director and executive officer of Harte Hanks as of the Record Date, and the value of those RSUs, assuming that the value per share of Harte Hanks Common Stock at the Effective Time is \$3.97 (which, in accordance with SEC requirements, is the average price of Harte Hanks Common Stock over the first five business days following the first public announcement of the Merger).

Name	RSUs (#)	RSUs (\$)
Benjamin Chacko	30,834	122,411
Patrick O'Brien	4,167	16,543
David Fisher	53,334	211,736
David A. Garrison	16,667	66,168
John H. Griffin, Jr	27,861	110,608
Genevieve C. Combes	27,861	110,608
Bradley L. Radoff	27,861	110,608
Elizabeth Ross	27,861	110,608

As of the Record Date, David Fisher held a stock option to purchase 32,400 shares of Harte Hanks Common Stock with an exercise price of \$4.55 per share. At the \$3.97 assumed value per share of Harte Hanks Common Stock, this option would have no in-the-money value at the Effective Time.

Golden Parachute Compensation

In accordance with Item 402(t) of Regulation S-K, the table below sets forth the estimated amounts of the payments and benefits that each of Harte Hanks' named executive officers would have received in connection with the Merger, assuming the Effective Time had occurred on the Record Date and, immediately thereafter, each named executive officer had experienced a qualifying termination. This compensation is subject to an advisory vote of Harte Hanks' stockholders, as described under the section titled "*The Non-Binding Advisory Compensation Proposal*."

The amounts below have been calculated assuming that (a) the value per share of Harte Hanks Common Stock at the Effective Time is \$3.97 (which, in accordance with SEC requirements, is the average price of Harte Hanks Common Stock over the first five business days following the first public announcement of the Merger), (b) neither of the currently employed named executive officers receives any additional equity awards or increases in base salary before the Effective Time, and (c) each of the currently employed named executive officers executes the release of claims necessary to receive the "double trigger" severance payments below.

Name	Cash (\$ (1))	Equity (\$ (2))	Perquisites/ Benefits (\$)	Total (\$)
David Fisher President	600,000	211,736	—	811,736
David A. Garrison Chief Financial Officer	525,000	66,168	—	591,168
Kirk Davis (3) Former Chief Executive Officer	—	—	—	—
Robert Wyman (4) Former General Counsel	—	—	—	—

- (1) These amounts reflect (a) the "double trigger" severance, in the form of continued payment of base salary for 12 months, that would be payable to each of Mr. Fisher and Mr. Garrison under his employment agreement on termination without "cause" or resignation for "good reason" and (b) the "single trigger" closing incentive bonus that would be payable to each of Mr. Fisher and Mr. Garrison upon the Closing, provided that he has not voluntarily left employment with Harte Hanks before the Closing. The breakdown of the amounts in this column is as follows:

Name	Severance (\$)	Closing Incentive Bonus (\$)
David Fisher	400,000	200,000
David A. Garrison	375,000	150,000

- (2) These amounts reflect the value of the “single trigger” acceleration, and cancellation and conversion into the right to receive Merger Consideration, at the Effective Time pursuant to the terms of the Merger Agreement, of the RSUs held by each of Mr. Fisher and Mr. Garrison. This amount for Mr. Fisher does not include his stock option to purchase 32,400 shares of Harte Hanks Common Stock with an exercise price of \$4.55 per share because, at the \$3.97 assumed value per share of Harte Hanks Common Stock, this option would have no in-the-money value at the Effective Time.
- (3) Kirk Davis ceased to serve as Harte Hanks’ Chief Executive Officer effective February 14, 2025. Mr. Davis is not eligible to receive any payments or benefits that are based on or otherwise relate to the Merger.
- (4) Robert Wyman ceased to serve as Harte Hanks’ General Counsel effective December 22, 2025. Mr. Wyman is not eligible to receive any payments or benefits that are based on or otherwise relate to the Merger.

Governance of the Combined Company After the Merger

Star will remain the publicly traded parent company following the Merger. Accordingly, the directors and officers of Star immediately before the Effective Time will continue to serve as the directors and officers of Star following the Effective Time. Harte Hanks will survive the Merger as a wholly owned subsidiary of Star. The directors of Merger Sub immediately before the Effective Time will become the directors of Harte Hanks as the Surviving Corporation, and the officers of Merger Sub immediately before the Effective Time will become the officers of Harte Hanks as the Surviving Corporation, in each case until their respective successors are duly elected or appointed and qualified in accordance with applicable law and the organizational documents of the Surviving Corporation. The certificate of incorporation and bylaws of Merger Sub, subject to specified conforming changes, will become the certificate of incorporation and bylaws of Harte Hanks as the Surviving Corporation.

Accounting Treatment

Star and Harte Hanks prepare their respective financial statements in accordance with GAAP. The Merger will be accounted for as an acquisition of Harte Hanks by Star under the acquisition method of accounting, and Star will be treated as the acquirer for accounting purposes.

Regulatory Approvals and Other Conditions to Closing

The Merger is not subject to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 because the transaction does not meet the applicable size-of-transaction threshold. Accordingly, no filing under the HSR Act is required and no HSR waiting period applies. To complete the Merger, Star, Merger Sub and Harte Hanks must file a certificate of Merger with the Secretary of State of the State of Delaware and make any corresponding filings required under the laws of the states in which Harte Hanks and its subsidiaries are qualified to do business.

Star filed this Registration Statement on Form S-4 with the SEC on [___], 2026, registering the shares of Star Preferred Stock to be issued in the Merger. As of the date of this proxy statement/prospectus, the Registration Statement has not yet been declared effective by the SEC. Completion of the Merger is conditioned on the Form S-4 having been declared effective under the Securities Act and not being subject to any stop order or proceedings seeking a stop order.

The Merger cannot be completed if any law, injunction, judgment, order or other legal restraint issued by a governmental authority prohibits, restrains or makes illegal the consummation of the Merger. Accordingly, a condition to Closing is the absence of any governmental order or legal restraint preventing the parties from completing the transaction. Although the Merger is not subject to federal antitrust notification requirements, state attorneys general could take action under applicable state antitrust laws as they deem necessary or desirable in the public interest, including seeking to enjoin completion of the Merger or permitting completion subject to conditions.

The Merger is also conditioned on the delivery of the ABL Loan Agreement Amendment with Texas Capital Bank, and on the availability of not less than \$15.0 million of proceeds under such facility (or any permitted Alternative Debt Financing) on the Closing Date. As of the date of this proxy statement/prospectus, the parties are continuing to negotiate the ABL Loan Agreement Amendment with Texas Capital Bank. There can be no assurance that the ABL Loan Agreement Amendment will be obtained on the anticipated terms or at all. For additional information, see “Debt Financing and Alternative Debt Financing” beginning on page 34.

In addition, the Merger Agreement requires the receipt of certain third-party consents, waivers, approvals and notices under specified contracts and arrangements identified in the Merger Agreement and related disclosure schedules. Star’s obligation to consummate the Merger is conditioned upon receipt of such specified consents, except where failure to obtain a consent would not have a Company Material Adverse Effect.

Although neither Star nor Harte Hanks is aware of any reason why the requisite approvals, consents and conditions cannot be satisfied in a timely manner, there can be no assurance as to when or if they will be obtained or satisfied, or that the granting of any approval or satisfaction of any condition will not involve the imposition of additional conditions on the completion of the Merger.

Stock Exchange Listing

Star’s Preferred Stock is listed on the Nasdaq Global Select Market under the symbol “STRRP.” Harte Hanks stockholders that elect, or are allocated, Preferred Stock Consideration in the Merger will receive shares of Star Preferred Stock, not shares of Star Common Stock. The Merger Agreement provides that, before the Effective Time, Star will authorize and reserve for issuance a sufficient number of shares of Star Preferred Stock to pay the Preferred Stock Consideration. The Star Preferred Stock issued in the Merger will have the rights, preferences, privileges and restrictions set forth in the certificate of designations, rights and preferences of Star’s 10% Series A Cumulative Perpetual Preferred Stock. Star Common Stock and Star Preferred Stock are expected to continue to trade on the Nasdaq Global Select Market following the Merger.

Dissenters’ Rights in the Merger

Neither Star stockholders nor Harte Hanks stockholders are entitled to dissenters rights under the DGCL for the Merger.

THE MERGER AGREEMENT

*This section of the proxy statement/prospectus describes the material terms of the Merger Agreement. The description in this section and elsewhere in this proxy statement/prospectus is subject to, and qualified in its entirety by reference to, the complete text of the Merger Agreement, which is attached as **Annex A** to this document and incorporated by reference herein. This summary does not purport to be complete and may not contain all of the information about the Merger Agreement that is important to you. We urge you to read the full text of the Merger Agreement, as it is the legal document governing the Merger. This section is not intended to provide you with any factual information about Star or Harte Hanks. Such information can be found elsewhere in this proxy statement/prospectus and in the public filings Star makes with the SEC, as described in the section entitled “Where You Can Find More Information” beginning on page 135 of this proxy statement/prospectus.*

Explanatory Note Regarding the Merger Agreement

The Merger Agreement and this summary of terms are included to provide you with information regarding the terms of the Merger Agreement. Factual disclosures about Star and Harte Hanks contained in this proxy statement/prospectus or in the public reports of Star filed with the SEC may supplement, update or modify the factual disclosures about Star and Harte Hanks contained in the Merger Agreement. The Merger Agreement contains representations and warranties by Harte Hanks, on the one hand, and by Star and Merger Sub, on the other hand, made solely for the benefit of the other. The representations, warranties and covenants made in the Merger Agreement by Star, Merger Sub, and Harte Hanks were made solely for the benefit of the parties to the Merger Agreement and are qualified and subject to important limitations agreed to by Star, Merger Sub, and Harte Hanks in connection with negotiating the terms of the Merger Agreement. In particular, in your review of the representations and warranties contained in the Merger Agreement and described in this summary, it is important to bear in mind that the representations and warranties were negotiated with the principal purpose of establishing circumstances in which a party to the Merger Agreement may have the right not to consummate the Merger if the representations and warranties of the other party prove to be untrue due to a change in circumstance or otherwise, and allocating risk between the parties to the Merger Agreement, rather than establishing matters as facts. The representations and warranties also may be subject to a contractual standard of materiality different from those generally applicable to stockholders and reports and documents filed by Star with the SEC, and some are qualified by the matters contained in the confidential disclosure schedules that Harte Hanks delivered in connection with the Merger Agreement and certain documents filed by Star with the SEC. Moreover, information concerning the subject matter of the representations and warranties, which do not purport to be accurate as of the date of this proxy statement/prospectus, may have changed since the date of the Merger Agreement. Accordingly, the representations and warranties in the Merger Agreement should not be relied on by any persons as characterizations of the actual state of facts about Star and Harte Hanks at the time they were made or otherwise.

Structure of the Merger

Each of Star and Harte Hanks’ respective board of directors has unanimously approved and adopted the Merger Agreement. The Merger Agreement provides that, at the Effective Time of the Merger, Merger Sub will merge with and into Harte Hanks. Merger Sub will cease to exist as a separate corporation, and Harte Hanks will continue as the Surviving Corporation and a wholly owned subsidiary of Star.

Closing and Effective Time of the Merger

The Closing of the Merger will occur by remote exchange of electronic copies of documents and signatures on (a) a date to be agreed upon by Star, Merger Sub and Harte Hanks that is no later than the second business day after the satisfaction or waiver, to the extent permitted, of the last condition to Closing set forth in Article VII of the Merger Agreement, other than conditions that by their terms are to be satisfied at the Closing, or (b) such other time, location and date as Star, Merger Sub and Harte Hanks may mutually agree in writing. The date on which the closing occurs is the “Closing Date”.

On the Closing Date, the parties will file a certificate of Merger with the Secretary of State of the State of Delaware. The Merger will become effective at the Effective Time.

Merger Consideration

At the Effective Time, each issued and outstanding share of Harte Hanks Common Stock, par value \$1.00 per share, other than shares held by Harte Hanks as treasury stock, or owned by Star, Merger Sub or any direct or indirect wholly owned subsidiary of Star or Merger Sub, will be converted into the right to receive, at the holder's election and subject to the election, proration and adjustment provisions described below, either: (i) the Cash Consideration; or (ii) the Preferred Stock Consideration. A holder may elect Cash Consideration for all of the holder's shares, Preferred Stock Consideration for all of the holder's shares, or a combination of both by electing Cash Consideration for some shares and Preferred Stock Consideration for others, subject to the election, proration and adjustment provisions described below. The Cash Consideration, Preferred Stock Consideration, any combination of the two and any cash paid instead of fractional shares of Star Preferred Stock, are referred to collectively, as the "**Merger Consideration**". Shares for which a holder does not properly make a cash or preferred-stock election, or for which an election is revoked or lost, are referred to as "**Non-Electing Company Shares**". Non-Electing Company Shares may be converted into Cash Consideration, Preferred Stock Consideration or a combination of both, as Star elects, subject to the maximum aggregate cash limit described below.

Each share of Harte Hanks Common Stock held as treasury stock or owned by Star, Merger Sub or any direct or indirect wholly owned subsidiary of Star or Merger Sub immediately before the Effective Time will be cancelled and extinguished without conversion or payment of consideration.

The Merger Agreement provides for adjustment of the Merger Consideration to reflect the effect of a stock split, reverse stock split, stock dividend, reorganization, recapitalization, reclassification, combination, share exchange or similar change in Harte Hanks Common Stock occurring after August 14, 2026 and before the Effective Time.

Maximum Cash Amount and Proration

The aggregate cash payable for Harte Hanks Common Stock and Company equity awards under the Merger Agreement, together with cash paid instead of fractional shares of Star Preferred Stock, may not exceed the Maximum Cash Amount.

If the aggregate cash that would be payable for all shares as to which holders validly elect cash is less than the Maximum Cash Amount, each cash-electing share will receive the Cash Consideration and each preferred-stock-electing share will receive the Preferred Stock Consideration. Star may determine whether each Non-Electing Company Share receives Cash Consideration, Preferred Stock Consideration or a combination of the two, provided that the aggregate cash payment does not exceed the Maximum Cash Amount.

If the aggregate cash that would be payable for all cash-electing shares exceeds the Maximum Cash Amount, each Preferred-Stock-electing share and each Non-Electing Company Share will receive Preferred Stock Consideration. Each cash-electing share will receive a prorated portion of the Cash Consideration, determined by multiplying the Cash Consideration by a fraction whose numerator is the Maximum Cash Amount and whose denominator is the aggregate cash that would have been payable if all cash-electing shares received the Cash Consideration in full. The remaining portion of each cash-electing share will receive Preferred Stock Consideration.

No fractional shares of Star Preferred Stock will be issued. Instead, a holder otherwise entitled to a fractional share will receive cash, without interest, equal to the fractional share multiplied by \$10.00.

Before the Effective Time, Star must authorize and reserve enough shares of Star Preferred Stock to satisfy the Preferred Stock Consideration. The Star Preferred Stock issued in the Merger will have the rights, preferences, privileges and restrictions stated in the certificate of designations, rights and preferences of Star's 10% Series A Cumulative Perpetual Preferred Stock.

Election Procedures

Star will prepare a form of election, and Harte Hanks will have a reasonable opportunity to review and comment on it. Each record holder of Harte Hanks Common Stock and each holder of Award Company Shares may use the form of election to elect to receive Cash Consideration, Preferred Stock Consideration or a combination of both with respect to the holder's shares of Harte Hanks Common Stock or Award Company Shares, as applicable, in each case subject to the Maximum Cash Amount and proration procedures.

Star and Harte Hanks will use reasonable best efforts to mail it to record holders as of the Record Date for the Harte Hanks stockholder meeting, either with the proxy statement or separately, and to make it available to persons who become record holders between that Record Date and the Election Date.

To make a valid election, the payment agent must receive by 5:00 p.m., Eastern Time, on the Election Date, a properly completed and signed form of election and the required supporting materials. The “**Election Date**” will be the date of the Harte Hanks stockholder meeting, unless the Closing Date is more than four business days after that meeting; in that case, it will be two business days before the Closing Date. Star and Harte Hanks may agree to, and publicly announce, another Election Date. Star and Harte Hanks will publicly announce the anticipated Election Date at least five business days before the anticipated Closing Date. If the Closing Date is delayed, the Election Date will be similarly delayed and the parties will announce the delay and rescheduled Election Date when determined.

A holder may revoke an election, in whole or in part, by delivering written notice to the payment agent by 5:00 p.m., Eastern Time, on the Election Date. An election will be deemed lost or not properly made if the payment agent determines that the election form was not properly completed, signed or timely received. Shares subject to a revoked, lost or invalid election will be treated as Non-Electing Company Shares. All elections will automatically be revoked if the Merger Agreement is terminated. The payment agent's determinations concerning the validity, revocation or loss of elections and its proration computations will be conclusive and binding absent manifest error.

Exchange and Payment Procedures

No later than three business days before the Closing Date, Star will select a bank or trust company reasonably acceptable to Harte Hanks to act as payment agent and will enter into a customary payment-agent agreement reasonably acceptable to Harte Hanks.

At or promptly after the Effective Time, Star will deposit or cause to be deposited with the payment agent the cash and book-entry shares of Star Preferred Stock necessary to pay the aggregate Cash Consideration, Preferred Stock Consideration and cash payable instead of fractional shares. The cash and Preferred Stock deposited with the payment agent, together with any investment proceeds, are referred to as the “**Exchange Fund**”. To the extent the amendment to Harte Hanks' asset-based lending loan agreement is effective at that time, the Exchange Fund may include proceeds of borrowings by Harte Hanks or a subsidiary under that facility, up to \$15,000,000 (the “**Maximum Debt Financing Amount**”).

The payment agent may invest the cash portion of the Exchange Fund, as directed by Star or the Surviving Corporation, only in specified short-term United States government obligations, highly rated commercial paper or specified bank instruments. Star or the Surviving Corporation must promptly replace or restore any shortfall in the Exchange Fund so that it remains sufficient to make the required payments and deliveries. Investment income belongs to Star or the Surviving Corporation, as Star directs.

Within five business days after the Effective Time, Star and the Surviving Corporation will cause the payment agent to mail record holders of certificated and uncertificated Harte Hanks shares a customary letter of transmittal and instructions for surrendering certificated shares or transferring uncertificated shares. Upon proper surrender of certificates or book-entry transfer of uncertificated shares, a holder will receive the Merger Consideration to which the holder is entitled, including cash instead of any fractional share of Star Preferred Stock. No interest will be paid on Cash Consideration. A holder of uncertificated shares will not be required to deliver a certificate or an executed letter of transmittal to receive the Merger Consideration.

Star and Harte Hanks will establish procedures with the payment agent and The Depository Trust Company so that, after the Effective Time and final proration calculations, the payment agent can transmit the applicable Merger Consideration through The Depository Trust Company for shares held of record by it or its nominees.

If Merger Consideration is to be delivered to a person other than the registered holder, the applicable certificate must be properly endorsed, or appropriate transfer instructions must be presented for uncertificated shares. The requesting person also must pay any required transfer taxes or establish to Star's reasonable satisfaction that those taxes have been paid or are not payable.

Any portion of the Exchange Fund that remains undistributed one year after the Effective Time may be delivered to Star upon demand. Thereafter, holders that have not surrendered or transferred their shares will look only to Star, as general creditors, for payment or delivery of the Merger Consideration, subject to abandoned-property, escheat and similar laws. Any unclaimed amounts or shares remaining two years after the Effective Time, or earlier if required to avoid escheat, may become the property of Star or the Surviving Corporation to the extent permitted by applicable law. Neither the payment agent, Star nor the Surviving Corporation will be liable for amounts properly paid to a public official under applicable abandoned-property, escheat or similar laws.

Following the Effective Time, shares of Harte Hanks Common Stock will cease to be outstanding and will cease to exist, other than the right to receive the Merger Consideration. No further transfers of Harte Hanks Common Stock will be registered, other than transfers reflecting customary settlement procedures for trades made before the Effective Time. If a certificate is lost, stolen or destroyed, the holder must provide an affidavit of that fact and may be required by Star or the payment agent to provide a customary indemnity bond before receiving the applicable Merger Consideration.

No dividends or distributions on Surviving Corporation capital stock with a Record Date on or after the Effective Time will be paid to holders of unsurrendered certificates or uncertificated shares.

Treatment of Harte Hanks Equity Awards

At the Effective Time, each outstanding and unexercised Harte Hanks option identified on the Harte Hanks disclosure letter will be cancelled and converted into the right to receive the Cash Consideration, Preferred Stock Consideration or a combination of both, as elected by its holder and subject to the same Maximum Cash Amount and proration procedures that apply to Harte Hanks Common Stock. The amount payable for a listed option will equal the excess, if any, of the applicable Merger Consideration over the option's per-share exercise price, multiplied by the number of shares subject to that option. Any Harte Hanks option not identified on the disclosure letter will be cancelled without payment or other consideration.

Each outstanding Harte Hanks restricted stock unit identified on the disclosure letter will be cancelled and converted into the right to receive the Cash Consideration, Preferred Stock Consideration or a combination of both, as elected by its holder and subject to the same Maximum Cash Amount and proration procedures, for each share of Harte Hanks Common Stock covered by the restricted stock unit.

Each Harte Hanks performance stock unit will be cancelled at the Effective Time without payment or other consideration. Star will cause the Surviving Corporation to maintain sufficient cash and shares of Star Preferred Stock to satisfy its obligations to holders of Harte Hanks equity awards. Star will cause the Surviving Corporation to pay amounts due for equity awards through its payroll system as promptly as practicable after the Effective Time, subject to the Merger Agreement's requirements applicable to awards subject to Section 409A of the Internal Revenue Code.

Withholding

The payment agent, Star, Merger Sub, and Harte Hanks may deduct and withhold from amounts otherwise payable or deliverable to holders of Harte Hanks Common Stock or equity awards any amounts required to be withheld under tax law. Amounts so withheld and remitted to the appropriate governmental authority will be treated as paid or delivered to the applicable holder. If withholding is required with respect to Preferred Stock Consideration, Star or the payment agent may satisfy that obligation by deducting from cash otherwise payable or withholding a portion of the Star Preferred Stock otherwise deliverable.

If Star determines that withholding is required with respect to a payment or delivery, Star must notify the affected holder in writing promptly and no later than 10 business days before the Closing Date, describe the basis for the withholding and reasonably cooperate with the holder to eliminate or reduce it, including through forms or certificates provided by the holder.

Intended Tax Treatment of the Merger

Star and Harte Hanks will treat the Merger as a taxable transaction for U.S. federal income tax purposes, report, act and file all tax returns in all respects and for all purposes consistent with such tax treatment and not take any action or position for tax purposes that is inconsistent with such tax treatment, except as otherwise required by a “determination” as defined in Section 1313(a) of the Code or any corresponding or similar resolution under applicable state or local law.

Certificate of Incorporation, Bylaws, Directors and Officers

At the Effective Time, Harte Hanks’ certificate of incorporation will be amended and restated to be substantially identical to Merger Sub’s certificate of incorporation immediately before the Effective Time, subject to specified modifications preserving Harte Hanks’ name, date of incorporation, registered office and registered agent and omitting provisions naming Merger Sub’s incorporator, initial directors or original subscribers. The amended and restated certificate of incorporation will become the Surviving Corporation’s certificate of incorporation, subject to later amendment in accordance with its terms and Delaware law.

At the Effective Time, Merger Sub’s bylaws will become the bylaws of the Surviving Corporation, subject to later amendment in accordance with their terms, the Surviving Corporation’s certificate of incorporation and Delaware law.

The directors of Merger Sub immediately before the Effective Time will become the directors of the Surviving Corporation, and Merger Sub’s officers immediately before the Effective Time will become the Surviving Corporation’s officers. Each will serve in accordance with the Surviving Corporation’s organizational documents and Delaware law until a successor is duly elected or appointed and qualified.

Proxy Statement and Harte Hanks Stockholder Meeting

The affirmative vote of the holders of a majority of the voting power of the outstanding shares of Harte Hanks Common Stock entitled to vote on the Merger is the only vote of Harte Hanks stockholders required to adopt the Merger Agreement and approve the Merger. Star stockholder approval is not required to adopt the Merger Agreement or consummate the Merger. The Non-Binding Advisory Compensation Proposal is advisory only, is separate and apart from the Harte Hanks Merger Proposal and is not a condition to completion of the Merger.

Harte Hanks must establish a Record Date for, duly call, give notice of, convene and hold a meeting of its stockholders as promptly as reasonably practicable after mailing the proxy statement, for the purpose of obtaining the required Harte Hanks stockholder approval. Harte Hanks may not change the meeting Record Date without Star’s prior written consent, which Star may not unreasonably withhold, condition or delay. Subject to the Merger Agreement’s provisions regarding Acquisition Proposals and recommendation changes, Harte Hanks must use reasonable best efforts to solicit proxies in favor of adoption of the Merger Agreement and must include the board of directors of Harte Hanks’ recommendation in the proxy statement.

Conduct of Harte Hanks’ Business Pending the Merger

From August 14, 2026 until the earlier of the Effective Time and termination of the Merger Agreement, Harte Hanks must, subject to specified exceptions, operate its business in the ordinary course of business, maintain its existence and good standing, preserve its assets, properties, contracts, licenses and business organization, keep its current officers and key employees available and preserve relationships with material customers, suppliers, distributors, lessors, licensors, licensees, creditors, contractors and other business counterparties.

Except as expressly contemplated or permitted by the Merger Agreement, required by law or a binding governmental order, disclosed in the applicable sections of the Harte Hanks disclosure letter or approved by Star in writing, Harte Hanks and its subsidiaries may not, among other things:

- amend their organizational documents or adopt a plan of liquidation, dissolution, Merger, consolidation, restructuring, recapitalization or other reorganization;
- issue or sell Harte Hanks securities, other than specified equity awards and issuances upon exercise or settlement of equity awards under their existing terms; repurchase or redeem securities, subject to specified exceptions; split, combine or reclassify capital stock; declare or pay dividends or other distributions, other than certain dividends by wholly owned subsidiaries; pledge or encumber capital stock; or modify the terms of capital stock;
- incur borrowed-money indebtedness or issue debt securities, except for specified ordinary-course items, indebtedness under the existing asset-based lending facility or other existing arrangements in the circumstances permitted by the Merger Agreement, and other indebtedness up to \$750,000 in aggregate principal amount;
- make loans, advances, capital contributions or investments, except for specified ordinary-course customer credit, employee expense advances, indemnification obligations and transactions with wholly owned subsidiaries;
- acquire, lease, license, sell, abandon, transfer, assign, guarantee, exchange, mortgage, pledge or otherwise encumber assets above specified thresholds, subject to enumerated ordinary-course, financing, capital-expenditure and other exceptions;
- except as required under an employee plan, materially alter employee plans or benefits, increase compensation, pay special bonuses, grant new pension, severance, retention, transaction or change-in-control benefits, enter into or amend specified compensatory arrangements, accelerate compensation or equity awards, grant equity awards, or take specified hiring, promotion, termination, furlough or layoff actions involving officers or employees whose annual compensation exceeds \$150,000;
- settle, release, waive or compromise claims, except for specified claims and settlements, including solely monetary settlements of no more than \$100,000 individually and \$250,000 in the aggregate;
- make material changes in accounting principles, practices, policies or procedures, or make, change or settle specified material tax matters in a manner reasonably expected to materially increase taxes payable by the Harte Hanks group;
- make capital expenditures other than those permitted by the agreed capital-expenditure budget, certain insured casualty repairs or replacements, or other capital expenditures of up to \$250,000 in the aggregate;
- enter into, modify, amend, waive material rights under, consent to assignment of, or terminate material contracts, subject to specified exceptions; or
- enter into related-party transactions required to be disclosed under Item 404 of Regulation S-K; take actions reasonably expected to trigger notice, consultation, bargaining, consent or similar obligations under the WARN Act or comparable law; materially modify restrictive-covenant obligations; materially modify privacy or information-security policies and safeguards; grant material refunds or credits outside the ordinary course; acquire another person or material equity interest or enter into specified joint ventures; enter into a collective bargaining agreement; or adopt a stockholder rights plan applicable to the Merger.

Harte Hanks also may not agree or commit to take an action prohibited by these covenants. The foregoing restrictions are subject to the Merger Agreement’s stated exceptions, including matters disclosed in the Harte Hanks disclosure letter and Star’s consent right.

No Solicitation of Acquisition Proposals; Go-Shop Process

During the Go-Shop Period, Harte Hanks and its affiliates and representatives may solicit, initiate, propose or induce, and knowingly encourage, facilitate or assist, Acquisition Proposals. During that Go-Shop Period, Harte Hanks may, subject to an acceptable confidentiality agreement, furnish nonpublic information about Harte Hanks to, and afford access to, potential bidders and participate in discussions or negotiations concerning Acquisition Proposals.

If Harte Hanks provides nonpublic information to a potential bidder that it has not previously provided to Star, Harte Hanks must provide that information or access to Star promptly and in any event within 48 hours. At the conclusion of the Go-Shop Period, Harte Hanks must notify Star in writing of each Exempted Party, parties that entered into acceptable confidentiality agreements and parties that submitted Acquisition Proposals during the Go-Shop Period, together with the information and documents required by the Merger Agreement to the extent not previously delivered to Star.

An “**Exempted Party**” is a person or group from which Harte Hanks received a qualifying Acquisition Proposal during the Go-Shop Period that the board of directors of Harte Hanks, after consulting with outside counsel and its financial advisor, determines in good faith before the start of the No-Shop Period either is a Superior Proposal or is reasonably expected to result in a Superior Proposal. An Exempted Party ceases to be an Exempted Party if its proposal is withdrawn, terminated or modified so that it no longer constitutes or is reasonably expected to result in a Superior Proposal.

No-Shop Restrictions After the Go-Shop Period

Beginning at the end of the Go-Shop Period and until the earlier of the Effective Time and termination of the Merger Agreement (the “**No-Shop Period**”), Harte Hanks must cease prohibited solicitations, discussions and negotiations, seek the prompt return or destruction of nonpublic information provided to specified parties during the preceding six months and terminate their data-room access. Except as expressly permitted by the Merger Agreement, Harte Hanks may not solicit, initiate, propose or knowingly encourage, facilitate or assist an Acquisition Proposal; provide nonpublic information or access to a potential bidder to induce an Acquisition Proposal; engage in related discussions or negotiations; or enter into a letter of intent, memorandum of understanding, Merger Agreement, acquisition agreement or other agreement relating to an Acquisition Transaction.

Harte Hanks may continue to engage with an Exempted Party after the Go-Shop Period only while that party remains an Exempted Party and the board of directors of Harte Hanks determines in good faith, after consulting with its financial advisor and outside counsel, that discontinuing the discussions would be inconsistent with the directors’ fiduciary duties under applicable law. In that event, Harte Hanks must provide Star with specified nonpublic information and written materials within 48 hours and keep Star reasonably informed, on a current basis and in any event within 48 hours, of material developments, discussions and negotiations.

After the Go-Shop Period but before Harte Hanks obtains the required stockholder approval, Harte Hanks may clarify the terms of an unsolicited Acquisition Proposal that did not result from a material breach of its non-solicitation obligations. If the board of directors of Harte Hanks determines in good faith, after consulting with its independent financial advisor and outside legal counsel, that such proposal constitutes or is reasonably expected to result in a Superior Proposal, Harte Hanks may negotiate with the bidder, enter into an acceptable confidentiality agreement and provide nonpublic information, subject to providing Star with any new nonpublic information within 48 hours. Harte Hanks must also provide Star with written Acquisition Proposals, term sheets, draft agreements, financing commitments and other material written materials within 48 hours and keep Star informed of material developments.

For these purposes, a “**Superior Proposal**” is a bona fide written Acquisition Proposal for a transaction involving more than 50% of Harte Hanks’ outstanding voting power or assets, revenue or net income that the board of directors of Harte Hanks determines in good faith, after consulting with its financial advisor and outside legal counsel, is reasonably likely to be completed and would be more favorable to Harte Hanks stockholders from a financial point of view than the Merger, after considering the proposal’s legal, regulatory, financing and other aspects, certainty of closing, bidder identity and any written revisions to the Merger Agreement proposed by Star.

Recommendation of the Board of Directors of Harte Hanks; Recommendation Changes

The Merger Agreement prohibits the board of directors of Harte Hanks from withdrawing, amending, qualifying or modifying its recommendation in a manner materially adverse to Star; approving, endorsing or recommending an Acquisition Proposal; failing to reaffirm its recommendation within 10 business days after Star's written request following public disclosure of an Acquisition Proposal, subject to a maximum of two requests; failing to take the required position on a tender or exchange offer; or failing to include its recommendation in the proxy statement. Each of these actions is a "**Company Board Recommendation Change**", subject to the exceptions described below.

Before Harte Hanks obtains the required stockholder approval, its board of directors may make a recommendation change in response to an intervening event if the board of directors of Harte Hanks determines in good faith, after consultation with outside legal counsel, that not doing so would be inconsistent with its fiduciary duties. An "**Intervening Event**" is a material development regarding Harte Hanks that was not known to or reasonably expected by the board of directors of Harte Hanks on August 14, 2026, other than an Acquisition Proposal and subject to specified exclusions concerning forecasts and market-price changes. Harte Hanks must give Star at least three business days' prior written notice identifying the Intervening Event in reasonable detail and must negotiate in good faith with Star during that period, if Star wishes to negotiate, over proposed Merger Agreement adjustments.

The board of directors of Harte Hanks may also make a Company Board Recommendation Change or authorize Harte Hanks to terminate the Merger Agreement to enter into an alternative acquisition agreement for a Superior Proposal, but only if the board of directors of Harte Hanks determines in good faith, after consulting with its financial advisor and outside legal counsel, that failing to do so would be inconsistent with its fiduciary duties; Harte Hanks has complied in all material respects with its non-solicitation obligations; and Harte Hanks gives Star at least three business days' prior written notice. The notice must identify the Superior Proposal, the bidder, the material terms and the board of directors of Harte Hanks' intended action and provide copies of the material proposal documents. During the notice period, Harte Hanks must negotiate in good faith with Star if Star elects to negotiate. A material revision to the Acquisition Proposal requires a new notice and a two-business-day notice period. If Harte Hanks terminates to enter into an alternative acquisition agreement, it must pay the applicable Harte Hanks termination fee before or concurrently with termination.

From the beginning of the No-Shop Period until the earlier of the Effective Time and termination of the Merger Agreement, Harte Hanks must promptly, and in any event within 48 hours, notify Star of the receipt of an Acquisition Proposal, identify the bidder, provide copies of written proposals and related written materials or a written summary of an oral proposal, and keep Star reasonably informed about the proposal and related discussions.

Additional Covenants

Efforts; Consents and Approvals

Star, Merger Sub and Harte Hanks must use commercially reasonable efforts to take the actions and do the things necessary, proper or advisable to consummate the Merger as expeditiously as practicable. These obligations include working to satisfy closing conditions, obtain required governmental consents, waivers, approvals, orders and authorizations, make required governmental filings, and obtain third-party consents, waivers, approvals and notices under material contracts to preserve for the Surviving Corporation the benefits of those contracts. Harte Hanks is not required to agree to consent fees, profit-sharing payments, increased or accelerated payments, additional security or guarantees in connection with obtaining material-contract consents.

Harte Hanks agreed to provide Star updates at least every 15 days regarding material increases in anticipated transaction expenses compared to the transaction expense estimate delivered in connection with the Merger Agreement.

Access to Information

Until the earlier of the Effective Time and termination of the Merger Agreement, Harte Hanks must provide Star and its representatives reasonable access during normal business hours and upon reasonable advance notice to Harte Hanks' properties, books, records and personnel, subject to customary limitations. Harte Hanks may restrict access where required by law, where access would create a material risk of waiver of privilege, violate or create a default under a contract, disclose a third party's trade secrets, relate to the negotiation and execution of the Merger Agreement or specified adverse litigation, or relate to an Acquisition Proposal. Access must not unreasonably interfere with Harte Hanks' business or create risk of property damage, and does not include invasive environmental testing.

Public Statements and Transaction Litigation

The parties must use commercially reasonable efforts to consult with one another before participating in media interviews, analyst or investor meetings or calls, or making public statements reasonably likely to become public concerning the Merger, subject to specified exceptions, including disclosures required by law, regulation or stock-exchange requirements.

Harte Hanks must promptly notify Star of litigation relating to the Merger, provide copies of pleadings and keep Star reasonably informed. Star has the opportunity to participate in the defense, settlement or prosecution of that litigation, and Harte Hanks must consult with Star; Harte Hanks may not settle or compromise transaction litigation without Star's written consent, which may not be unreasonably withheld, conditioned or delayed. Star must similarly provide Harte Hanks prompt notice of its transaction litigation and keep Harte Hanks reasonably informed.

Delisting and Deregistration

Before the Effective Time, Harte Hanks will cooperate with Star and use commercially reasonable efforts to cause Harte Hanks Common Stock to be delisted from Nasdaq as promptly as practicable after the Effective Time and deregistered under the Exchange Act as promptly as practicable after delisting.

Debt Financing

The Merger Agreement contemplates the debt financing of a portion of the Cash Consideration and cash paid instead of fractional shares of Star Preferred Stock, up to the Maximum Debt Financing Amount, through a draw by Harte Hanks under its existing \$25,000,000 secured revolving credit facility, subject to an amendment to that facility.

The Merger Agreement requires Harte Hanks to use commercially reasonable efforts to arrange and consummate the Debt Financing or, if necessary, Star and Merger Sub to use commercially reasonable efforts to obtain Alternative Debt Financing, in each case, including by negotiating and executing definitive agreements, participating in financing due diligence and satisfying or obtaining waivers of financing conditions applicable to them. Harte Hanks must use commercially reasonable efforts to arrange and consummate the Debt Financing on the Closing Date, including by complying with the existing credit facility, maintaining availability for borrowing of at least the Maximum Debt Financing Amount, negotiating the required credit-facility amendment and related financing documents, and satisfying or obtaining waivers of conditions applicable to Harte Hanks.

If any portion of the contemplated Debt Financing becomes unavailable or is reasonably expected to become unavailable, Harte Hanks must promptly notify Star, and Star must use commercially reasonable efforts to obtain Alternative Debt Financing in an amount sufficient, together with available funds, to pay the Merger Consideration, repay or satisfy indebtedness required to be addressed at Closing, pay applicable transaction fees and expenses and consummate the transactions.

If the Merger Agreement is terminated under specified provisions before the Effective Time, Star must reimburse the Harte Hanks group for specified out-of-pocket debt-financing and alternative-debt-financing costs, including certain fees and expenses of Texas Capital Bank. If the Closing occurs, costs incurred by the Harte Hanks group in connection with the Debt Financing or Alternative Debt Financing will be borne by the Surviving Corporation and will not be treated as Harte Hanks transaction expenses for purposes of the Merger Agreement.

After the Effective Time, the Surviving Corporation must provide continuing employees severance benefits in accordance with the employees' written employment agreements in effect at the Effective Time and identified in the Harte Hanks disclosure letter. The Surviving Corporation must honor each employee plan according to its terms in effect immediately before the Effective Time, including any change in control triggers, subject to amendments or terminations permitted by that plan.

For the fiscal year in which the Effective Time occurs, Star will consider in its sole discretion, or cause the Surviving Corporation to consider, paying an annual cash bonus to each continuing employee. Any bonus will be in an amount determined by Star and, if paid, will be paid as soon as practicable after the end of the closing year and no later than May 1 of the following fiscal year.

If a new employee benefit plan is made available to a continuing employee after the Effective Time, the Surviving Corporation and its subsidiaries must credit the employee's pre-Effective-Time service with Harte Hanks for eligibility, vesting and benefit purposes where service is relevant, including vacation accrual and severance-pay entitlement, except to avoid duplication of benefits. For applicable new plans, continuing employees must receive credit for satisfied waiting periods under comparable Harte Hanks plans, waivers of pre-existing-condition limitations and actively-at-work requirements to the applicable extent, and credit for eligible expenses incurred during the relevant prior plan year toward deductibles, coinsurance and out-of-pocket limits.

At least 10 business days before the Closing Date, Star may request that Harte Hanks terminate its 401(k) plan, effective no later than the day before the Closing Date. If Star makes that request, Harte Hanks must take all reasonably necessary actions, including adopting board resolutions, and provide Star drafts of related resolutions, notices, amendments and other documents before taking action. Star must then take reasonably necessary action to permit continuing employees to participate in a Star or affiliate 401(k) plan on or as soon as reasonably practicable after the Closing Date and to cause such 401(k) plan to accept eligible rollover distributions, including loans, from the terminated Harte Hanks 401(k) plan if elected by continuing employees.

The employee provisions do not guarantee employment or prohibit Star, the Surviving Corporation or their subsidiaries from terminating a continuing employee's employment. They also do not require continuation of any employee plan, create third-party-beneficiary rights or establish, amend or modify any benefit plan, program, agreement or arrangement.

Directors' and Officers' Indemnification and Insurance

The Surviving Corporation and its subsidiaries must honor and fulfill all obligations of the Harte Hanks group under indemnification agreements, including indemnification provisions in employment agreements, with current or former directors and officers and persons who become directors or officers before the Effective Time, as well as employees, for acts or omissions occurring before the Effective Time.

For a period commencing on the Effective Time and ending on the sixth anniversary of Effective Time, the Surviving Corporation and its subsidiaries must maintain charter, bylaw and similar organizational-document provisions regarding indemnification, exculpation and advancement of expenses that are at least as favorable as those of Harte Hanks and its subsidiaries in effect on August 14, 2026, unless a change is required by law. For that same six-year period, the Surviving Corporation must indemnify and hold harmless the applicable indemnified persons, to the fullest extent provided in the applicable pre-signing organizational documents and indemnification agreements, against specified costs, expenses, judgments, fines, losses, claims, damages, liabilities and settlement amounts arising from acts or omissions occurring at or before the Effective Time, including the Merger Agreement and the transactions. A timely asserted indemnification claim survives until finally resolved.

For a period commencing on the Effective Time and ending on the sixth anniversary of the Effective Time, the Surviving Corporation must maintain Harte Hanks' existing directors' and officers' liability insurance for pre-Effective-Time acts or omissions on terms equivalent to the existing coverage, subject to a maximum annual premium equal to 300% of the amount Harte Hanks paid for coverage in its last full fiscal year. If equivalent coverage exceeds that limit, the Surviving Corporation must obtain the greatest available coverage not exceeding the premium limit from a carrier with the same or better credit rating. Before the Effective Time, Harte Hanks may, or if requested by Star must, purchase a prepaid tail policy meeting the stated credit-rating and cost conditions. If Harte Hanks purchases that policy, the Surviving Corporation must maintain it and honor its obligations while it remains in force.

Conditions to Complete the Merger

The obligations of Star, Merger Sub and Harte Hanks to complete the Merger are subject to the satisfaction or waiver, to the extent legally permissible, of the following conditions before the Effective Time:

- Harte Hanks must receive the required stockholder approval at the Harte Hanks Special Meeting.
- The Form S-4 must have become effective under the Securities Act and must not be subject to a stop order or proceedings seeking a stop order.
- No temporary restraining order, preliminary or permanent injunction, judgment, order or other legal or regulatory restraint or prohibition preventing the Merger may be in effect; no action may have been taken by a governmental authority of competent jurisdiction; and no statute, rule, regulation or order may have been enacted, entered, enforced or deemed applicable to the Merger, that, in each case, prohibits, makes illegal or enjoins the Merger.

Star's and Merger Sub's obligations are also subject to the satisfaction or waiver by Star of the following conditions:

- Harte Hanks' representations and warranties must be true and correct at Closing, subject to the distinct materiality, Company Material Adverse Effect and de minimis standards specified in the Merger Agreement for different categories of representations.
- Harte Hanks must have performed and complied in all material respects with its required covenants, obligations and conditions, and Star and Merger Sub must have received an officer's certificate of Harte Hanks certifying that the applicable representation-and-warranty and performance conditions have been satisfied.
- No Company Material Adverse Effect may have occurred after August 14, 2026 and be continuing.
- Harte Hanks must have delivered the ABL Loan Agreement Amendment, duly executed by each party thereto other than Star or Merger Sub.
- All conditions precedent to the debt financing or alternative debt financing, as applicable, must have been satisfied or waived by Texas Capital Bank or the applicable alternative lender or lenders, other than conditions that by their nature are to be satisfied at Closing, and Harte Hanks and its subsidiaries must have at least the Maximum Debt Financing Amount available for borrowing on the Closing Date under the ABL Loan Agreement or alternative debt financing, as applicable.
- Star must have received evidence reasonably satisfactory to it that all required notices, consents, waivers, approvals and assignment notices, including those identified on Schedule 7.2(g) to the Merger Agreement, have been given, obtained or delivered, as applicable, and remain in full force and effect, except where the failure to obtain the applicable consent would not have a Company Material Adverse Effect.

Harte Hanks' obligation is also subject to the satisfaction or waiver by Harte Hanks of the following conditions:

- Star's representations and warranties must be true and correct at Closing, subject to the distinct materiality, Parent Material Adverse Effect and de minimis standards specified in the Merger Agreement for different categories of representations.

- Star and Merger Sub must have performed and complied in all material respects with their required covenants, obligations and conditions, and Harte Hanks must have received an officer's certificate of Star and Merger Sub certifying that the applicable representation-and-warranty and performance conditions have been satisfied.
- No Parent Material Adverse Effect may have occurred after August 14, 2026 and be continuing.

No party may rely on the failure of a closing condition as a basis for failing to complete the Merger or terminating the Merger Agreement if that party's breach of a representation, warranty, covenant or agreement, or failure to perform its obligations, primarily caused or primarily resulted in the condition's failure or otherwise gave rise to a termination right.

Representations and Warranties

The Merger Agreement contains representations and warranties made by Harte Hanks to Star and Merger Sub and by Star and Merger Sub to Harte Hanks. These representations and warranties are qualified by the matters disclosed in specified Securities and Exchange Commission filings, subject to the limitations set forth in the Merger Agreement, and, in the case of Harte Hanks, by the Harte Hanks disclosure letter. The representations and warranties are made as of the dates specified in the Merger Agreement and should not be read as statements of fact made as of any other date. The representations and warranties are subject to materiality, material-adverse-effect, knowledge and other qualifications contained in the Merger Agreement.

Harte Hanks' representations and warranties address, among other matters:

- its organization, good standing, corporate power and authority, enforceability of the Merger Agreement and the validity of its organizational documents;
- the unanimous approval and recommendation of the board of directors of Harte Hanks, receipt of the Citizens JMP Securities, LLC fairness opinion, the inapplicability of Section 203 of the Delaware General Corporation Law and other takeover laws, and the absence of a stockholder rights plan;
- the required Harte Hanks stockholder approval as the only Harte Hanks capital-stockholder vote required to adopt the Merger Agreement and complete the Merger;
- non-contravention of organizational documents, material contracts and applicable law; required governmental approvals; and the absence of impermissible liens resulting from the Merger;
- capitalization, including the number of authorized, issued, outstanding and treasury shares of Harte Hanks Common Stock as of June 30, 2026, as well as outstanding options, restricted stock units and performance stock units as of that date;
- subsidiaries and their capitalization, ownership and organizational status;
- Securities and Exchange Commission reports, financial statements, disclosure controls, internal controls, indebtedness and undisclosed liabilities;
- the absence of specified changes, including the absence of a Company Material Adverse Effect through the signing date, and the absence of specified actions since March 31, 2026;
- material contracts, real property and tangible assets, environmental matters, intellectual property, privacy and data security, taxes, employee plans, labor matters, permits and legal compliance, litigation, insurance and related-person transactions;
- brokers, trade controls, sanctions and anti-corruption matters;

- information supplied for inclusion or incorporation by reference in the Form S-4 and proxy statement/prospectus; and
- Harte Hanks' good-faith estimate, as of signing, of its transaction expenses.

Star and Merger Sub make representations and warranties to Harte Hanks concerning, among other matters:

- their organization, good standing, power and authority, enforceability of the Merger Agreement, non-contravention and required governmental approvals;
- Star's capitalization, including the authorization and reservation of sufficient shares of Star Preferred Stock for the Preferred Stock Consideration, and the valid issuance of that stock when issued in accordance with the Merger Agreement and the applicable certificate of designations;
- subsidiaries and their capitalization and ownership; Securities and Exchange Commission reports; financial statements; disclosure controls; internal controls; undisclosed liabilities; absence of specified changes; permits; legal compliance; and litigation;
- ownership of Harte Hanks Common Stock, brokers, the limited operations of Merger Sub and the absence of a required Star stockholder vote;
- the absence, as of signing, of specified stockholder and management arrangements with Harte Hanks stockholders, directors, officers, employees and other affiliates, except for the Voting and Support Agreements;
- sufficiency of available cash and/or immediately available funds, assuming the Debt Financing is provided or Alternative Debt Financing is secured, to pay the Merger Consideration, repay or otherwise satisfy specified Harte Hanks indebtedness, pay applicable fees and expenses and complete the transactions;
- the absence of exclusive financial-advisory or debt-financing arrangements of the type specified in the Merger Agreement;
- solvency of Star and the Surviving Corporation and its subsidiaries immediately after the transactions; and
- information supplied for inclusion or incorporation by reference in the Form S-4 and proxy statement/prospectus.

The representations and warranties of Star, Merger Sub and Harte Hanks terminate at the Effective Time, except for covenants that by their terms survive the Effective Time.

Voting and Support Agreements

Immediately after execution and delivery of the Merger Agreement, certain Harte Hanks stockholders, John H. Griffin, Jr., Genevieve C. Combes, Bradley L. Radoff, Elizabeth Ross, David Fisher and David A. Garrison entered into voting and support agreements with Harte Hanks and Star under which those stockholders will agree, among other things, to vote their Harte Hanks Common Stock in favor of adoption of the Merger Agreement, subject to the terms and conditions of those agreements. As of the Record Date, these directors and executive officers held [____] shares of Harte Hanks Common Stock, which represented approximately [____]% of the outstanding shares of Harte Hanks Common Stock.

Termination of the Merger Agreement

The Merger Agreement may be terminated before the Effective Time only in the following circumstances:

- Star and Harte Hanks may terminate the Merger Agreement at any time before the Effective Time by mutual written agreement.
- Either Star or Harte Hanks may terminate the Merger Agreement before the Effective Time if a final and nonappealable injunction, judgment, order or other legal or regulatory restraint or prohibition, or any action by a governmental authority, prohibits, makes illegal or enjoins the Merger, or if any statute, rule, regulation or order has been enacted, entered, enforced or deemed applicable to the Merger that prohibits, makes illegal or enjoins the Merger. This termination right is unavailable to a party that has failed to comply with its obligations under the Merger Agreement to use commercially reasonable efforts to resist, appeal, obtain consent for, resolve or lift the applicable restraint or prohibition.
- Either Star or Harte Hanks may terminate the Merger Agreement before the Effective Time if the Effective Time has not occurred by 11:59 p.m., Eastern Time, on March 1, 2027 (the “**Termination Date**”), subject to the limitations in the Merger Agreement. Those limitations include that this termination right is unavailable if the other party has the applicable valid termination right under the Merger Agreement or if the terminating party’s breach was the primary cause of the failure to satisfy its closing conditions or consummate the Merger by the Termination Date.
- Either Star or Harte Hanks may terminate the Merger Agreement before the Effective Time if Harte Hanks does not obtain the required stockholder approval at the Harte Hanks Special Meeting or any adjournment or postponement thereof at which a vote is taken.
- Star may terminate the Merger Agreement before the Effective Time if a condition to Star’s and Merger Sub’s obligations to complete the Merger has failed to be satisfied or has become incapable of being satisfied by the Termination Date. If the failure is capable of being cured by the Termination Date, Star must first provide Harte Hanks with written notice and wait until the earlier of 30 days after that notice and the Termination Date, unless the failure is cured before then.
- Star may terminate the Merger Agreement before Harte Hanks receives the required stockholder approval if the board of directors of Harte Hanks or a committee thereof has effected a Company Board Recommendation Change.
- Harte Hanks may terminate the Merger Agreement before the Effective Time if a condition to Harte Hanks’ obligation to complete the Merger has failed to be satisfied or has become incapable of being satisfied by the Termination Date. If the failure is capable of being cured by the Termination Date, Harte Hanks must first provide Star with written notice and wait until the earlier of 30 days after that notice and the Termination Date, unless the failure is cured before then.
- Before Harte Hanks receives the required stockholder approval, Harte Hanks may terminate the Merger Agreement if it has received a Superior Proposal; the board of directors of Harte Hanks or a committee thereof has authorized Harte Hanks to enter into, and Harte Hanks substantially concurrently enters into, a definitive alternative acquisition agreement for that Superior Proposal; Harte Hanks has complied in all material respects with its non-solicitation obligations; and Harte Hanks pays, or causes to be paid, the Company Termination Fee before or concurrently with the termination.
- Harte Hanks may terminate the Merger Agreement before the Effective Time if: (i) the mutual closing conditions and the closing conditions in favor of Star and Merger Sub have been satisfied or waived, other than closing conditions that are capable of being satisfied at closing; (ii) Harte Hanks has irrevocably notified Star in writing that it is ready, willing and able to close and that its closing conditions have been satisfied, other than closing conditions that are capable of being satisfied at closing, or that Harte Hanks is willing to waive any unsatisfied Harte Hanks closing conditions; (iii) Star and Merger Sub fail to complete the Merger on the date required by the Merger Agreement; (iv) Harte Hanks has provided at least three business days’ prior written notice of its intention to terminate; and (v) Star and Merger Sub fail to complete the Merger by the end of that three-business-day period and on the required closing date.

If the Merger Agreement is validly terminated, it will generally be of no further force or effect. Termination does not relieve a party of liability for a willful breach. A “**willful breach**” is a material breach resulting from an act or omission made with actual knowledge or intent that it would constitute, or reasonably be expected to constitute, a material breach.

Fees and Expenses

Except as otherwise provided in the Merger Agreement, each party will pay its own fees and expenses, whether or not the Merger is completed. Star or the Surviving Corporation will pay all payment-agent fees and expenses. Star will pay transfer, stamp, documentary, sales, use, real-property transfer and similar taxes or fees arising from the Merger Agreement and the Merger, and will timely file the related tax returns with reasonable cooperation from Harte Hanks.

Harte Hanks Termination Fee

Harte Hanks may be required to pay Star a termination fee of \$1,152,000 if:

- the Merger Agreement is terminated because the Merger has not closed by the Termination Date, Harte Hanks has not obtained the required stockholder approval, or a closing condition in favor of Star and Merger Sub has failed; an Acquisition Proposal for an Acquisition Transaction has been publicly announced or disclosed before the termination; and, within one year after termination, Harte Hanks enters into a definitive agreement for or consummates an Acquisition Transaction meeting the modified 50% threshold stated in the Merger Agreement; or
- Star terminates following a Company Board Recommendation Change.

If Harte Hanks terminates the Merger Agreement to enter into an alternative acquisition agreement for a Superior Proposal, Harte Hanks must pay the \$1,152,000 termination fee before or concurrently with termination. The Merger Agreement provided for a reduced \$576,000 fee only if the alternative acquisition agreement was with an Exempted Party, that party was an Exempted Party when Harte Hanks terminated and the agreement was entered into on or before the No-Shop Period Start Date. Because no Alternative Acquisition Agreement was entered into on or prior to September 13, 2026, the reduced fee is no longer available and any later termination to enter into an Alternative Acquisition Agreement with an Exempted Party requires the full \$1,152,000 Company Termination Fee.

The Merger Agreement also contains special limitations relating to Debt Financing and Alternative Debt Financing. In particular, Harte Hanks will not be required to pay the termination fee or damages based solely on specified financing failures, financing defaults, financing-condition failures or unavailability, except to the extent those matters were materially caused by Harte Hanks’ failure to comply with specified financing-cooperation obligations.

Star Termination Fee

Star must pay Harte Hanks a termination fee of \$1,152,000 if Harte Hanks validly terminates because a condition to its obligation has failed or become incapable of satisfaction, or because Star and Merger Sub fail to close after Harte Hanks delivers the required three-business-day notice and otherwise satisfies the applicable conditions.

The aggregate monetary recovery from Star, Merger Sub and related parties for claims arising from the Merger Agreement, the transactions, termination, breach or failure to close is generally capped at \$1,152,000, plus applicable debt-financing costs payable under the Merger Agreement.

Amendment and Waiver

The parties may amend the Merger Agreement at any time by a written instrument signed on behalf of Star, Merger Sub and Harte Hanks. After Harte Hanks receives the required stockholder approval, the parties may not amend the Merger Agreement in a way that requires additional Harte Hanks stockholder approval under Delaware law without obtaining that approval.

Before the Effective Time, a party may extend performance deadlines, waive inaccuracies in representations and warranties made to it, or waive compliance with agreements or conditions for its benefit, in each case to the extent legally permitted. Any extension or waiver must be in a written instrument signed by the party granting it.

Specific Performance; Governing Law; Forum and Jury-Trial Waiver

The parties acknowledge that a breach of the Merger Agreement may cause irreparable harm for which monetary damages are not an adequate remedy. Subject to the Merger Agreement’s limitations, each party may seek injunctions, specific performance and other equitable relief, in addition to other available remedies. Harte Hanks may specifically enforce Star’s and Merger Sub’s obligation to close only if the conditions to Star’s and Merger Sub’s closing obligations have been satisfied or waived, the Debt Financing or Alternative Debt Financing has been or will be funded substantially concurrently, Harte Hanks confirms in writing that it will close if specific performance is granted and financing is funded, and Star and Merger Sub are otherwise required to close.

Harte Hanks may not receive both specific performance that results in the Closing and monetary damages, including the Star termination fee or monetary damages in lieu of specific performance. A party seeking equitable relief is not required to post a bond or other security.

The Merger Agreement is governed by Delaware law, without regard to Delaware conflicts-of-law principles. The parties have agreed to the exclusive jurisdiction of the Delaware Court of Chancery and Delaware appellate courts, or, if the Court of Chancery declines jurisdiction over a particular matter, a federal court in Delaware, for disputes arising out of the Merger Agreement. Each party has irrevocably waived any right to a jury trial in a legal proceeding arising out of or relating to the Merger Agreement, the Merger, the Debt Financing or any Alternative Debt Financing.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER

The following is a discussion of the material U.S. federal income tax consequences of the Merger to U.S. holders and non-U.S. holders (collectively referred to as “**holders**”) which hold their shares of Harte Hanks Common Stock (“**Shares**”) as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all U.S. federal income tax consequences relevant to a holder’s particular circumstances, including the Medicare contribution tax on net investment income or the Foreign Account Tax Compliance Act (including the U.S. Treasury regulations promulgated thereunder and intergovernmental agreements entered pursuant thereto or in connection therewith), nor does it address any tax consequences arising under the laws of any U.S. state or local or non-U.S. jurisdiction, or under any U.S. federal laws other than those pertaining to U.S. federal income taxes. In addition, it does not address tax consequences relevant to holders subject to special rules under the U.S. federal income tax laws, including, without limitation:

- banks, financial institutions or insurance companies;
- real estate investment trusts;
- regulated investment companies or mutual funds;
- dealers and brokers in stocks and securities or currencies;
- traders in securities that use a mark-to-market method of tax accounting;
- tax-exempt entities or governmental organizations;
- certain former citizens or long-term residents of the United States;
- persons that received Shares pursuant to the exercise of compensatory options or stock purchase plans or otherwise as compensation for the performance of services;
- persons that hold Shares through individual retirement or other tax-deferred accounts;
- persons that hold Shares as part of a hedge, straddle, appreciated financial position, conversion or other “synthetic security” or integrated investment or risk reduction transaction for U.S. federal income tax purposes;
- S-corporations or other pass-through entities (or investors in S-corporations or other pass-through entities);
- persons whose “functional currency” is not the U.S. dollar;
- persons subject to special tax accounting rules as a result of any item of gross income with respect to the Shares being taken into account in an applicable financial statement;
- controlled foreign corporations;
- persons that own or have owned (directly, indirectly or constructively) 5% or more of the Shares (by vote or value);
- passive foreign investment companies; or
- persons that are subject to the alternative minimum tax.

If a partnership, or any entity or arrangement treated as a partnership for U.S. federal income tax purposes, holds Shares, the tax treatment of a partner in such entity or arrangement will generally depend on the status of the partner and the activities of the entity or arrangement. A partner in such an entity or arrangement holding Shares should consult its own tax advisor regarding the tax consequences of the Merger.

This discussion is based on current provisions of the Code, the U.S. Treasury regulations promulgated thereunder, judicial opinions and published positions of the Internal Revenue Service (“IRS”), each as in effect as of the date of this proxy statement/prospectus and all of which are subject to change or differing interpretations, possibly with retroactive effect. Any such change or differing interpretation could affect the accuracy of the statements and conclusions set forth herein. Neither Star nor Harte Hanks has sought, or intends to seek, any opinion of counsel or any ruling from the IRS with respect to the statements made and the conclusions reached in the following discussion, and no assurance can be given that the IRS will agree with the views expressed herein, or that a court will not sustain any challenge by the IRS in the event of litigation. As a result, there can be no assurances that the IRS will not assert, or that a court would not sustain, a position contrary to any of the conclusions set forth below.

Definitions of U.S. Holder and Non-U.S. Holder

For purposes of this discussion, a “**U.S. holder**” is a beneficial owner of Shares who or which is for U.S. federal income tax purposes:

- a citizen or resident of the United States;
- a corporation (or other entity or arrangement treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if such trust has validly elected to be treated as a U.S. person for U.S. federal income tax purposes or if (1) a court within the United States is able to exercise primary supervision over its administration and (2) one or more U.S. persons have the authority to control all of the substantial decisions of such trust.

For purposes of this discussion, the term “**non-U.S. holder**” means a beneficial owner of Shares who or which is not a U.S. holder and is not an entity or arrangement treated as a partnership for U.S. federal income tax purposes.

THIS DISCUSSION IS PROVIDED FOR GENERAL INFORMATION ONLY AND IS NOT A COMPLETE ANALYSIS OR DESCRIPTION OF ALL POTENTIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER. EACH HOLDER IS STRONGLY URGED TO CONSULT WITH AND RELY UPON ITS OWN TAX ADVISOR AS TO THE SPECIFIC U.S. FEDERAL, STATE OR LOCAL OR NON-U.S. TAX CONSEQUENCES TO SUCH HOLDER OF THE MERGER, TAKING INTO ACCOUNT ITS OWN PARTICULAR CIRCUMSTANCES.

Consequences to U.S. Holders of the Merger

The Merger will constitute a taxable transaction for U.S. federal income tax purposes. Accordingly, a U.S. holder generally will recognize gain or loss equal to the difference between: (a) the sum of (i) the amount of cash received in the Merger, including cash received in lieu of any fractional share of Star Preferred Stock, and (ii) the fair market value, determined as of the Effective Time, of any Star Preferred Stock received in the Merger; and (b) the U.S. holder’s adjusted tax basis in the Shares surrendered in the Merger.

Such gain or loss will be capital gain or loss and generally will be long-term capital gain or loss if the U.S. holder’s holding period for the surrendered Shares exceeds one year as of the Effective Time. Long-term capital gain recognized by certain non-corporate U.S. holders generally is eligible for preferential rates, subject to applicable limitations. The deductibility of capital losses is subject to limitations. If a U.S. holder acquired different blocks of Shares at different times or different prices, such U.S. holder must determine its adjusted tax basis and holding period separately with respect to each block of Shares that it holds.

A U.S. holder's aggregate initial tax basis in the Star Preferred Stock received in the Merger generally will equal the fair market value of that Star Preferred Stock as of the Effective Time. A U.S. holder's holding period for the Star Preferred Stock generally will begin on the day after the Effective Time.

Consequences to Non-U.S. Holders of the Merger

Subject to the below discussion regarding backup withholding, a non-U.S. holder who or which receives the Merger Consideration in exchange for such non-U.S. holder's Shares in the Merger generally will not be subject to U.S. federal income tax on any gain realized on the disposition, unless (i) such non-U.S. holder is an individual who is present in the United States for 183 or more days during the taxable year of the completion of the Merger and certain other conditions are met, or (ii) the gain is effectively connected with the conduct of a trade or business in the United States by the non-U.S. holder (and, in the case of certain income tax treaties, is attributable to a permanent establishment or fixed base within the United States).

If you are a non-U.S. holder who is an individual and has been present in the United States for 183 or more days during the taxable year of the completion of the Merger and certain other conditions are satisfied, you will be subject to tax at a rate of 30% (or such lower rate as may be specified in an applicable income tax treaty) on any gain realized, which generally may be offset by certain U.S. source capital losses.

If you are a non-U.S. holder and your gain is effectively connected with the conduct of a United States trade or business by you (and, in the case of certain income tax treaties, is attributable to a permanent establishment or fixed base within the United States), you will be subject to U.S. federal income tax on any gain realized on a net basis in the same manner as a U.S. holder. Non-U.S. holders which are corporations also may be subject to a branch profits tax on such effectively connected income at a rate of 30% (or such lower rate as may be specified in an applicable income tax treaty), subject to adjustments.

EACH NON-U.S. HOLDER IS STRONGLY URGED TO CONSULT ITS OWN TAX ADVISOR WITH RESPECT TO SUCH NON-U.S. HOLDER'S SPECIFIC TAX CONSEQUENCES OF THE MERGER, TAKING INTO ACCOUNT ITS OWN PARTICULAR CIRCUMSTANCES.

Potential Application of Section 304

Notwithstanding the discussion above, the receipt of Cash Consideration by holders that also actually or constructively own Star stock may be subject to Section 304 of the Code if holders who own (including by attribution) 50% or more of the total combined voting power or total value of the Shares before the Merger own (including by attribution), immediately after the Merger, 50% or more of the total combined voting power or total value of the Star stock. If Section 304 of the Code applies to the Cash Consideration received in the Merger, then a holder that actually or constructively owns Star stock might recognize dividend income up to the amount of such Cash Consideration unless such holder's receipt of the Cash Consideration qualifies for exchange treatment under the tests set forth in Section 302 of the Code.

To the knowledge of Star and Harte Hanks, one or more persons do not control both Star and Harte Hanks within the meaning of Section 304 of the Code. However, because of the complex constructive ownership rules, Star and Harte Hanks do not have sufficient information to determine definitively that Section 304 of the Code does not apply to the Merger. In light of the potential application of Section 304 of the Code to the Cash Consideration, holders should consult their own tax advisors regarding the application of the foregoing rules to their particular circumstances, and any actions that may be taken to mitigate the potential application of such rules. Additionally, non-U.S. holders are urged to consult their own tax advisors regarding the possibility that, in the event that an applicable withholding agent is unable to determine whether the Cash Consideration should be treated as a dividend for U.S. federal income tax purposes, such withholding agent may withhold tax at a rate of 30% (or such lower rate as may be specified in an applicable income tax treaty) on the gross amount of any Cash Consideration payable to such non-U.S. holder, regardless of whether such Cash Consideration is properly treated as a dividend for U.S. federal income tax purposes.

Information Reporting and Backup Withholding

The receipt of the Merger Consideration in exchange for Shares pursuant to the Merger may be subject, under certain circumstances, to information reporting and backup withholding (currently at a rate of 24%). To avoid backup withholding, a U.S. holder that does not otherwise establish an exemption should properly complete and execute and timely return to the applicable paying agent an IRS Form W-9, certifying that such U.S. holder is a "United States person" (within the meaning of the Code), that the taxpayer identification number provided is correct and that such U.S. holder is not subject to backup withholding. Certain types of U.S. holders (including, with respect to certain types of payments, corporations) are exempt from backup withholding. A Non-U.S. holder generally may establish an exemption from backup withholding by certifying its status as a non-United States person under penalties of perjury on an IRS Form W-8BEN or other applicable IRS Form W-8. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be refunded or credited against a holder's U.S. federal income tax liability, if any, provided that such holder furnishes the required information to the IRS in a timely manner.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE APPLICABLE OR OF IMPORTANCE TO A PARTICULAR HOLDER. THE TAX CONSEQUENCES OF THE MERGER WILL DEPEND ON A HOLDER'S SPECIFIC SITUATION. EACH HOLDER SHOULD CONSULT HIS, HER OR ITS TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO SUCH HOLDER OF THE MERGER IN LIGHT OF THE HOLDER'S OWN CIRCUMSTANCES, AS WELL AS THE APPLICABILITY AND EFFECT OF ANY U.S. FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER TAX LAWS.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Introduction

The following unaudited pro forma condensed combined financial information is presented to illustrate the estimated effects of the HH Merger described below and should be read together with the accompanying notes and the historical consolidated financial statements of Star Equity Holdings, Inc. (“Star,” the “Company,” “we,” “us,” or “our”) and Harte Hanks, Inc. (“Harte Hanks”).

The unaudited pro forma condensed combined financial information should be read in conjunction with:

- the accompanying notes to the unaudited pro forma condensed combined financial information;
- the audited consolidated financial statements of Star for the fiscal year ended December 31, 2025 and the related notes, included in Star’s Annual Report on Form 10-K for the fiscal year ended December 31, 2025;
- the audited consolidated financial statements of Harte Hanks for the fiscal year ended December 31, 2025 and the related notes, included in Harte Hanks’ Annual Report on Form 10-K for the fiscal year ended December 31, 2025;
- the unaudited condensed consolidated financial statements of Star as of and for the fiscal quarter ended June 30, 2026 and the related notes, included in Star’s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2026; and
- the unaudited condensed consolidated financial statements of Harte Hanks as of and for the fiscal quarter ended June 30, 2026 and the related notes, included in Harte Hanks’ Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2026.

The unaudited pro forma condensed combined financial information is presented for informational purposes only. It does not purport to represent what the actual combined results of operations or financial position of Star and Harte Hanks would have been had the HH Merger occurred on the dates assumed, nor is it necessarily indicative of future combined results of operations or financial position, and it does not reflect any cost savings, operating synergies, or revenue enhancements that the combined company may achieve.

Description of the Merger

Pursuant to the Plan of Merger (the “HH Merger Agreement”), Merger Sub will merge with and into Harte Hanks, with Harte Hanks surviving the merger as a wholly owned subsidiary of Star (the “HH Merger”).

At the effective time of the HH Merger, each share of Harte Hanks common stock outstanding immediately prior to the effective time (other than shares held in treasury or owned by Star or Merger Sub, which will be cancelled without consideration), and each share underlying a Harte Hanks equity award entitled to consideration under the HH Merger Agreement, will be converted into the right to receive, at the holder’s election and subject to proration, (i) \$5.00 in cash or (ii) 0.50 shares of Star’s 10% Series A Cumulative Perpetual Preferred Stock, par value \$0.001 per share (the “Series A Preferred Stock”). Holders may elect cash for all of their shares, Series A Preferred Stock for all of their shares, or a combination of both by electing cash for some shares and Series A Preferred Stock for others, subject to proration. Aggregate cash consideration, including cash payable in lieu of fractional shares of Series A Preferred Stock, may not exceed \$19.2 million. If cash elections exceed that amount, cash will be allocated pro rata among cash-electing shares and the balance of the consideration will be paid in Series A Preferred Stock.

Each Harte Hanks equity award that vests in connection with the consummation of the HH Merger will be cancelled in exchange for the same consideration, in the form elected by the holder. Unvested options, options with an exercise price at or above the per share merger consideration, restricted stock units that do not vest at closing, and all performance stock units will be cancelled without payment.

A more complete description of the HH Merger Agreement and its terms and conditions can be found in the section titled “The Merger Agreement” beginning on page 98 of this proxy statement/prospectus.

Accounting for the Merger

The HH Merger will be accounted for using the acquisition method of accounting under ASC 805, Business Combinations, with Star as the accounting acquirer. That conclusion reflects, among other factors, that Star will transfer cash and issue Series A Preferred Stock as consideration, that Harte Hanks will become a wholly owned subsidiary of Star, and that holders of Star common stock will retain their voting interest in the combined company. Star’s cost to acquire Harte Hanks will be allocated to the assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date, with any excess recorded as goodwill.

The allocation of the purchase price reflected in the unaudited pro forma condensed combined financial information is preliminary and based on estimates and assumptions that are subject to change. The final purchase price allocation will not be determinable until consummation of the HH Merger and may differ materially from the preliminary allocation presented herein. Star will finalize the acquisition accounting during the measurement period, which will not exceed one year from the acquisition date.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of June 30, 2026
(In thousands)

	Historical		Pro Forma		
	Star Equity Holdings, Inc.	Harte Hanks, Inc.	Transaction Accounting Adjustments	Footnotes	Unaudited Pro Forma Combined
ASSETS					
Current assets:					
Cash and cash equivalents and restricted cash	\$ 8,374	\$ 5,188	\$ (4,192)	A	\$ 9,370
Investments in equity securities	4,262	-	-		4,262
Accounts receivable, net of allowance for doubtful accounts	30,898	27,431	-		58,329
Unbilled accounts receivable and contract assets	4,042	7,971	-		12,013
Inventories, net	6,954	-	-		6,954
Note receivable, current portion	236	-	-		236
Prepaid and other	3,059	4,766	-		7,825
Total current assets	57,825	45,356	(4,192)		98,989
Property and equipment, net	16,598	6,866	-		23,464
Operating and finance lease right-of-use assets	13,718	18,597	2,441	B	34,756
Goodwill	5,899	295	4,976	C	11,170
Intangible assets, net	1,355	273	30,227	C	31,855
Long term investments	953	-	-		953
Notes receivable, net of current portion	8,948	-	-		8,948
Deferred tax assets, net	2,374	15,982	(15,982)	D	2,374
Restricted cash, non-current	551	-	-		551
Other assets	15	690	-		705
Total assets	<u>\$ 108,236</u>	<u>\$ 88,059</u>	<u>\$ 17,470</u>		<u>\$ 213,765</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	\$ 5,352	\$ 13,238	\$ -		\$ 18,590
Accrued salaries, commissions, and benefits	7,734	3,165	350	E	11,249
Accrued expenses and other current liabilities	5,237	8,220	500	E	13,957
Short-term debt	8,962	3,000	-		11,962
Deferred revenue and customer advances	1,442	2,552	-		3,994
Customer postage and program deposits	-	693	-		693
Operating and finance lease obligations, current	729	4,003	-		4,732
Total current liabilities	29,456	34,871	850		65,177
Income tax payable	101	-	-		101
Operating and finance lease obligations	13,383	17,035	-		30,418
Pension liabilities - Qualified plans	-	3,390	-		3,390
Pension liabilities - Nonqualified plan	-	16,525	-		16,525
Long-term debt, net of current portion	5,123	-	15,000	F	20,123
Other liabilities	376	888	-		1,264
Total liabilities	<u>48,439</u>	<u>72,709</u>	<u>15,850</u>		<u>136,998</u>
Commitments and contingencies					
Stockholders' equity:					
Series A preferred stock	3	-	2	G	5
Common stock	5	12,221	(12,221)	H	5
Additional paid-in capital	530,922	99,393	(81,925)	G, H	548,390
(Accumulated deficit) / retained earnings	(441,575)	808,181	(808,681)	H	(442,075)
Accumulated other comprehensive loss, net of applicable tax	(1,528)	(14,919)	14,919	H	(1,528)
Treasury stock	(28,030)	(889,526)	889,526	H	(28,030)
Total stockholders' equity	<u>59,797</u>	<u>15,350</u>	<u>1,620</u>		<u>76,767</u>
Total liabilities and stockholders' equity	<u>\$ 108,236</u>	<u>\$ 88,059</u>	<u>\$ 17,470</u>		<u>\$ 213,765</u>

See accompanying notes to the unaudited pro forma condensed combined financial information

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Twelve Months Ended December 31, 2025
(In thousands, except share and per share amounts)

	Historical		Pro Forma			
	Star Equity Holdings, Inc.	Harte Hanks, Inc.	Pre-Acquisition Star Operating Companies, Inc. & Alliance Drilling Tools	Transaction Accounting Adjustments	Footnotes	Unaudited Pro Forma Combined
Revenue	\$ 172,159	\$ 159,570	\$ 52,558	\$ -	I	\$ 384,287
Cost of revenues and operating expenses	175,847	159,184	56,644	3,958	I, J, K	395,633
Operating income (loss)	(3,688)	386	(4,086)	(3,958)		(11,346)
Non-operating income (expense):						
Interest income (expense), net	260	(248)	(182)	(890)	I, L	(1,060)
Other income (expense), net	(428)	(1,146)	4,396	394	I, M	3,216
Loss before provision for income taxes	(3,856)	(1,008)	128	(4,454)		(9,190)
Provision for income taxes	2,061	(197)	(1,731)	-	I, Q	133
Net (loss) income	(5,917)	(811)	1,859	(4,454)	I	(9,323)
Dividend on Series A perpetual preferred stock	(740)	-	(1,756)	(1,918)	I, N	(4,414)
Net loss attributable to common shareholders	<u>\$ (6,657)</u>	<u>\$ (811)</u>	<u>\$ 103</u>	<u>\$ (6,372)</u>		<u>\$ (13,737)</u>
Basic Loss per Share	\$ (1.85)	\$ (0.11)				\$ (2.54)
Diluted Loss per Share	\$ (1.85)	\$ (0.11)				\$ (2.54)
Basic Loss per Share, attributable to common shareholders	\$ (2.08)					\$ (3.74)
Diluted Loss per Share, attributable to common shareholders	\$ (2.08)					\$ (3.74)
Basic weighted-average shares outstanding	3,198,000	7,393,000	473,084	(7,393,000)	O	3,671,084
Diluted weighted-average shares outstanding	3,198,000	7,393,000	473,084	(7,393,000)	O	3,671,084
Dividends declared per share of Series A perpetual preferred stock	\$ 0.275		\$ 0.725		P	\$ 1.00

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Six Months Ended June 30, 2026
(In thousands, except share and per share amounts)

	Historical		Transaction		Unaudited
	Star Equity	Harte	Accounting	Footnotes	Pro Forma
	Holdings, Inc.	Hanks, Inc.	Adjustments		Combined
Revenue	\$ 105,002	\$ 75,248	\$ -		\$ 180,250
Cost of revenues and operating expenses	110,387	80,506	1,729	R	192,622
Operating loss	(5,385)	(5,258)	(1,729)		(12,372)
Non-operating income (expense):					
Interest income (expense), net	(13)	(159)	(445)	S	(617)
Other income (expense), net	(239)	(464)	228	T	(475)
Loss before provision for income taxes	(5,637)	(5,881)	(1,946)		(13,464)
Provision for (benefit from) income taxes	4	(250)	-	X	(246)
Net loss	(5,641)	(5,631)	(1,946)		(13,218)
Dividend on Series A perpetual preferred stock	(1,195)		(959)	U	(2,154)
Net loss attributable to common shareholders	\$ (6,836)	\$ (5,631)	\$ (2,905)		\$ (15,372)
Basic Loss per Share	\$ (1.51)	\$ (0.76)			\$ (3.55)
Diluted Loss per Share	\$ (1.51)	\$ (0.76)			\$ (3.55)
Basic Loss per Share, attributable to common shareholders	\$ (1.84)				\$ (4.13)
Diluted Loss per Share, attributable to common shareholders	\$ (1.84)				\$ (4.13)
Basic weighted-average shares outstanding	3,723,622	7,423,000	(7,423,000)	V	3,723,622
Diluted weighted-average shares outstanding	3,723,622	7,423,000	(7,423,000)	V	3,723,622
Dividends declared per share of Series A perpetual preferred stock	\$ 0.50			W	\$ 0.50

Notes to Unaudited Pro Forma Condensed Combined Financial Statements
(amounts are in thousands except for share and per share data and as otherwise noted)

Note 1. Basis of Presentation

The unaudited pro forma condensed combined financial statements (the “pro forma financial statements”) are presented to illustrate the estimated effects of the proposed acquisition of Harte Hanks, Inc. (“Harte Hanks”) by Star Equity Holdings, Inc. (“Star Equity,” “Star,” the “Company,” “we,” or “our”), pursuant to the Agreement and Plan of Merger entered into on August 14, 2026 (the “HH Merger Agreement”). Under the terms of the HH Merger Agreement, Merger Sub – R, Inc., a wholly owned subsidiary of the Company (“Merger Sub” or “HH Merger Sub”), will merge with and into Harte Hanks, with Harte Hanks surviving the merger as a wholly owned subsidiary of the Company (the “HH Merger”).

At the effective time of the HH Merger, each share of Harte Hanks common stock outstanding immediately prior to the effective time (other than shares held in treasury or owned by the Company or HH Merger Sub, which will be cancelled without consideration), and each share underlying a Harte Hanks equity award entitled to consideration under the HH Merger Agreement, will be converted into the right to receive, at the holder’s election and subject to proration, (i) \$5.00 per share in cash or (ii) 0.50 shares of the Company’s Series A Preferred Stock. Aggregate cash consideration, including cash payable in lieu of fractional shares of Series A Preferred Stock, may not exceed \$19.2 million. If cash elections exceed that amount, cash will be allocated pro rata among cash-electing shares and the balance of the consideration will be paid in Series A Preferred Stock.

The unaudited pro forma condensed combined financial information has been prepared in accordance with Article 11 of Regulation S-X, as amended. The unaudited pro forma condensed combined balance sheet as of June 30, 2026 gives effect to the HH Merger as if it had been consummated on June 30, 2026. The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2025 and the six months ended June 30, 2026 give effect to the transaction described above as if it had been consummated on January 1, 2025.

The unaudited pro forma condensed combined financial information is presented for informational purposes only and is not necessarily indicative of the results of operations or financial position that would have been achieved had the transactions been consummated on the dates indicated, nor is it indicative of future results of operations or financial position. The pro forma financial information does not reflect any cost savings, operating synergies, or revenue enhancements that the combined company may achieve, or the costs necessary to achieve them.

Prior transactions given pro forma effect

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2025 also gives effect to (i) the merger completed on August 22, 2025 pursuant to which Star Operating Companies, Inc. (“Star Operating,” formerly known as Star Equity Holdings, Inc.) became a wholly owned subsidiary of the Company, following which the Company changed its name to Star Equity Holdings, Inc. and its Nasdaq trading symbols to STRR and STRRP, and (ii) the acquisition of Alliance Drilling Tools (“ADT”) completed on March 3, 2025. The historical results of Star Operating and ADT are included in the Company’s historical financial statements only from their respective acquisition dates. The column captioned “Pre-Acquisition Star Operating Companies, Inc. and Alliance Drilling Tools” presents the historical results of those businesses for the periods from January 1, 2025 through their respective acquisition dates.

Note 2. Transaction Consideration and Preferred Stock Terms

At the effective time of the HH Merger, each outstanding share of Harte Hanks common stock (other than shares held as treasury stock or held directly by Star or HH Merger Sub, which will be cancelled without consideration) will be converted into the right to receive, at the holder’s election and subject to proration, (i) \$5.00 in cash (the “Cash Consideration”) or (ii) 0.50 shares of Star’s 10% Series A Cumulative Perpetual Preferred Stock, par value \$0.001 per share (the “Series A Preferred Stock”) (collectively, the “Merger Consideration”). Shares for which no election is made will be converted into cash, Series A Preferred Stock or a combination of both, as determined by Star. Aggregate cash, including cash payable in lieu of fractional preferred shares at \$10.00 per share, may not exceed \$19.2 million (the “Maximum Cash Amount”). If cash elections exceed that amount, cash is allocated pro rata among cash-electing shares and the balance of the Merger Consideration is paid in Series A Preferred Stock.

Each Harte Hanks equity award that vests in connection with the consummation of the HH Merger will be cancelled in exchange for the Merger Consideration for each underlying share, in the form elected by the holder. Unvested options, options with an exercise price at or above the per share Merger Consideration, restricted stock units that do not vest at closing, and all performance stock units will be cancelled without payment.

No elections have been made as of the date of this proxy statement/prospectus. For purposes of the pro forma financial information, the Company has assumed that 50% of the shares entitled to Merger Consideration will elect cash and 50% will elect Series A Preferred Stock. Under that assumption, aggregate cash does not exceed the Maximum Cash Amount. The actual allocation will depend on the elections made by Harte Hanks stockholders and may differ materially.

Harte Hanks common shares outstanding at July 31, 2026		7,454,240
Equity Awards Entitled to Merger Consideration		216,446
Total Shares Entitled to Merger Consideration		7,670,686
Total Value Available to Shareholders at \$5.00 per share	\$	38,353
Shares assumed to elect cash (50%)		3,835,343
Cash Consideration at \$5.00 per share	\$	19,177
Cash Settlement of Vested in-the-money Stock Options	\$	15
Total Cash Consideration	\$	19,192
Shares Assumed to Elect Series A Preferred Stock (50%)		3,835,343
Conversion Factor		0.50
Shares of Series A Preferred Stock to be Issued		1,917,672
Series A Preferred Stock Consideration at \$9.11 per share	\$	17,470
Total Fair Value of Merger Consideration	\$	36,662

Share counts are as of July 31, 2026, the most recent practicable date, and are held constant through the assumed closing. Cash settlement of vested in-the-money stock options represents \$15 payable to Harte Hanks' Chief Executive Officer in cancellation of vested stock options with a per share exercise price below the per share Merger Consideration; the related option shares are not included in the 216,446 shares underlying equity awards presented above. Amounts payable in respect of Harte Hanks equity awards include consideration payable to Harte Hanks' directors and executive officers. See "Interests of Harte Hanks' Directors and Executive Officers in the Merger."

For purposes of these pro forma financial statements, the Preferred Stock Consideration has been measured using the closing price of the Series A Preferred Stock on the Nasdaq Global Select Market (symbol: STRRP) of \$9.11 per share on October 14, 2026. The Series A Preferred Stock will be measured at fair value on the closing date, and the amount ultimately recorded will differ, potentially materially, from the amount presented.

Sensitivity of Merger Consideration to the Price of Series A Preferred Stock.

The fair value of the Preferred Stock Consideration will be measured using the price of the Series A Preferred Stock on the closing date, which may differ materially from the price used in these pro forma financial statements. The following table shows how the total fair value of the Merger Consideration would change if the per share price of the Series A Preferred Stock (Nasdaq: STRRP) were \$1.00 higher or \$1.00 lower than the closing price of \$9.11 per share on October 14, 2026. The table assumes that 50% of the shares entitled to Merger Consideration elect cash and 50% elect Series A Preferred Stock. Holding the cash consideration and the number of preferred shares issued constant, a \$1.00 change in the per share price of the Series A Preferred Stock would increase or decrease the total fair value of the Merger Consideration by approximately \$1,918, with a corresponding change to goodwill. A change in the price would not affect pro forma net loss or the dividends on the Series A Preferred Stock.

	STRRP Price of \$9.11	STRRP Increase \$1.00 (\$10.11)	STRRP Decrease \$1.00 (\$8.11)
Total Cash Consideration	\$ 19,192	\$ 19,192	\$ 19,192
Shares Assumed to Elect Series A Preferred Stock (50%)	3,835,343	3,835,343	3,835,343
Conversion Factor	0.50	0.50	0.50
Shares of Series A Preferred Stock to be Issued	1,917,672	1,917,672	1,917,672
Series A Preferred Stock Consideration at assumed price per share	\$ 17,470	\$ 19,388	\$ 15,552
Total Fair Value of Merger Consideration	\$ 36,662	\$ 38,580	\$ 34,744

Merger Consideration Assuming All Holders Elect Series A Preferred Stock.

As described above, the pro forma financial statements assume that 50% of the shares entitled to Merger Consideration elect cash and 50% elect Series A Preferred Stock. Because the actual form of consideration will depend on the elections made by Harte Hanks stockholders, the following table compares that assumption with a scenario in which the holders of all shares entitled to Merger Consideration elect to receive Series A Preferred Stock, in each case based on the closing price of the Series A Preferred Stock of \$9.11 per share on October 14, 2026. Under the all-preferred scenario, Star would issue 3,835,343 shares of Series A Preferred Stock with a fair value of \$34,940 and would pay cash only in settlement of vested in-the-money stock options of \$15, resulting in total Merger Consideration of \$34,955, or \$1,707 less than under the assumed elections, with a corresponding decrease in goodwill. Because substantially no cash consideration would be payable, Star would not expect to borrow funds under the TCB facility, and the \$15,000 of borrowings and related pro forma interest expense of \$890 for the year ended December 31, 2025 and \$445 for the six months ended June 30, 2026 would not be incurred. However, annual cumulative dividends on the Series A Preferred Stock issued in the HH Merger would increase by \$1,917, to \$3,835.

	50% Cash / 50% Preferred Stock	All Preferred (0% Cash)
Shares Assumed to Elect Cash	3,835,343	0
Cash Consideration at \$5.00 per share	\$ 19,177	\$ 0
Cash Settlement of Vested in-the-money Stock Options	\$ 15	\$ 15
Total Cash Consideration	\$ 19,192	\$ 15
Shares Assumed to Elect Series A Preferred Stock	3,835,343	7,670,686
Conversion Factor	0.50	0.50
Shares of Series A Preferred Stock to be Issued	1,917,672	3,835,343
Series A Preferred Stock Consideration at \$9.11 per share	\$ 17,470	\$ 34,940
Total Fair Value of Merger Consideration	\$ 36,662	\$ 34,955
Annual Dividends on Series A Preferred Stock Issued	\$ 1,918	\$ 3,835
Borrowings to Fund Cash Consideration	\$ 15,000	\$ 0

The requisite service period with respect to the Harte Hanks equity awards that vest in connection with the HH Merger was completed as of the acquisition date. Accordingly, the full settlement value of these awards is attributable to pre-combination service and is included in consideration transferred. No amount related to equity awards is recognized as post-combination compensation expense.

The Series A Preferred Stock has a \$10.00 per share liquidation preference and accrues cumulative dividends at a rate of 10.0% per annum, or \$1.00 per share annually, payable quarterly. The Series A Preferred Stock is perpetual, has no mandatory redemption date, and ranks senior to Star common stock with respect to dividends and distributions upon liquidation. The Series A Preferred Stock issued in connection with the HH Merger will be part of the same series as Star's outstanding Series A Preferred Stock and will have the same rights and priority as the outstanding Series A Preferred Stock. Because the Series A Preferred Stock is not mandatorily redeemable, the shares are classified in permanent equity, and there is no redemption feature outside the Company's control that would require temporary equity classification under ASC 480. The Series A Preferred Stock issued in the HH Merger will result in approximately \$1,918 of incremental annual cumulative preferred dividends, which are deducted in determining pro forma net income available to common shareholders.

Note 3. Accounting Treatment

The HH Merger is accounted for using the acquisition method of accounting under ASC 805, Business Combinations. Star management has evaluated the guidance in ASC 805 with respect to the identification of the acquirer and concluded that Star is the acquirer for financial accounting purposes. That conclusion reflects, among other factors, that Star will transfer cash and issue Series A Preferred Stock as consideration, that Harte Hanks will become a wholly owned subsidiary of Star, and that holders of Star common stock will retain all of the outstanding voting interest in the combined company. Accordingly, Star's cost to acquire Harte Hanks has been allocated to the assets acquired and liabilities assumed based upon their estimated fair values as of the acquisition date, with any excess recorded as goodwill.

The allocation of the purchase price is preliminary and is dependent upon estimates and valuations that are subject to change. In addition, the consideration transferred will not be determinable until the consummation of the HH Merger and, as described in Note 2, is affected by the fair value of the Series A Preferred Stock on the closing date and by the elections made by Harte Hanks stockholders. Accordingly, the final acquisition accounting adjustments may be materially different from the preliminary unaudited pro forma adjustments presented. Star will finalize the acquisition accounting during the measurement period, which will not exceed one year from the acquisition date.

Star is in the process of reviewing Harte Hanks' accounting policies. This review may identify differences between the accounting policies of the two companies that, when conformed, could have a material effect on the combined financial statements. No adjustments for any such differences are reflected in the pro forma financial statements.

There were no transactions between Star and Harte Hanks requiring elimination. Acquisition-related transaction costs are expensed as incurred in accordance with ASC 805 and are not included in consideration transferred. Transaction costs incurred through June 30, 2026 are reflected in the historical financial statements, and no adjustment has been made to remove them. Estimated remaining transaction costs of \$500 are reflected as a transaction accounting adjustment to accrued liabilities and accumulated deficit in the pro forma condensed combined balance sheet and as an expense in the pro forma condensed combined statement of operations for the year ended December 31, 2025. The pro forma financial statements do not reflect any cost savings, operating synergies or revenue enhancements that may result from the HH Merger.

Note 4. Transaction Accounting Adjustments – Unaudited Pro Forma Condensed Combined Balance Sheet and Statements of Operations

The unaudited pro forma adjustments include the following:

Pro Forma Balance Sheet as of June 30, 2026:

- A. **Cash and cash equivalents and restricted cash.** Reflects a net decrease in cash of \$4,192, consisting of the payment of \$19,192 of cash consideration described in Note 2, partially offset by \$15,000 of proceeds from the debt financing described in F below. The Company expects to fund the cash portion of the Merger Consideration with available cash together with a drawdown not to exceed \$15,000 under Harte Hanks' existing credit facility with Texas Capital Bank, or alternative debt financing acceptable to Star. Consummation of the debt financing is a condition to closing.

- B. **Operating lease right-of-use assets.** This adjustment reflects increasing the value of operating lease right-of-use assets by approximately \$2,441 to equal the value of short- and long-term operating lease obligations in connection with purchase accounting adjustments. Under ASC 842-10-55-12, the right-of-use asset is measured as if the acquisition date were the lease commencement date. The Company has not yet remeasured the acquired leases using its own incremental borrowing rate; the amount presented is preliminary.
- C. **Intangible assets and goodwill.** These adjustments reflect the recognition of net additional amortizable intangible assets and goodwill, representing the excess of purchase price consideration above the preliminary estimated fair values of the net assets acquired in the HH Merger.
- D. **Deferred tax assets, net.** Star maintains a full valuation allowance against its own \$215.4 million of federal and state net operating loss carryforwards (as of December 31, 2025). A full valuation allowance has therefore been recorded against the related U.S. net deferred tax assets and liabilities, resulting in the elimination of Harte Hanks' historical net deferred tax assets of \$16.0 million and no net deferred tax liability from the additional amortizable intangible assets in the unaudited pro forma condensed combined balance sheet. The amounts presented are preliminary and the final deferred tax amounts, including any change in valuation allowance, may differ materially. Any change in Star's valuation allowance resulting from the HH Merger will be recognized in income tax expense rather than as an adjustment to goodwill, in accordance with ASC 805-740-30-3.
- E. **Accrued expenses.** Acquisition-related transaction costs are expensed as incurred in accordance with ASC 805-10-25-23 and are not included in consideration transferred. Transaction costs incurred through June 30, 2026 are reflected in the historical financial statements, and no adjustment has been made to remove them. Estimated remaining transaction costs of \$500 are reflected as an increase to accrued expenses and other current liabilities, with an offset in (Accumulated deficit) / retained earnings, and transaction bonuses of \$350 are reflected as an increase to accrued salaries, commissions, and benefits, with an offset in goodwill. The combined company may incur expenses in addition to these.
- F. **Long-term debt, net of current portion.** Reflects anticipated borrowings of \$15,000 incurred to fund the majority of the cash consideration reflected in the preliminary purchase price. The borrowings are expected to be drawn under Harte Hanks' existing credit facility with Texas Capital Bank ("TCB"), or under alternative debt financing acceptable to Star, and bear interest at a floating rate equal to the Secured Overnight Financing Rate ("SOFR") plus a margin of 225 basis points per annum. For purposes of these unaudited pro forma condensed combined financial statements, an assumed rate of 5.93% per annum has been applied, based on SOFR of 3.68% as of August 31, 2026. The related pro forma interest expense is described in Note 4(L). No adjustment has been made for debt issuance costs, which have not yet been determined.
- G. **Series A preferred stock and additional paid-in capital.** Reflects the issuance of 1,917,672 shares of Series A Preferred Stock with an aggregate fair value of \$17,470, recorded as \$2 of par value and \$17,468 of additional paid-in capital.
- H. **Elimination of Harte Hanks historical equity.** Reflects the elimination of Harte Hanks' historical common stock, additional paid-in capital, accumulated deficit, accumulated other comprehensive loss and treasury stock, aggregating \$15,350.

Pro Forma Income Statement for the twelve months ended December 31, 2025:

- I. **Star Operating Companies and Alliance Drilling Tools pre-acquisition data.** Pro forma adjustments related to the merger with Star Operating Companies, Inc. ("Star Operating"), completed on August 22, 2025, and the acquisition of Alliance Drilling Tools ("ADT"), completed on March 3, 2025, reflect the inclusion of the results of operations of Star Operating and ADT for the periods prior to their respective acquisition dates. These adjustments resulted in the addition of approximately \$52.6 million of revenue and \$1.9 million of net income, and net income attributable to common shareholders of \$0.1 million. The adjustments were necessary because the historical financial statements of Star Equity Holdings include the results of operations of Star Operating and ADT only from their respective acquisition dates.
- J. **Amortization of acquired intangible assets.** Reflects amortization of the identifiable intangible assets recognized in the preliminary purchase price allocation. A pro forma adjustment has been included to reflect incremental amortization expense of approximately \$3,458 for the twelve months ended December 31, 2025. This adjustment is based on the estimated fair values assigned to identifiable amortizable intangible assets acquired in the transaction, representing additional expense that would have been recognized had the acquisition occurred on January 1, 2025.

- K. **Transaction costs.** Estimated remaining transaction costs of \$500 are reflected as an increase to operating expenses in the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2025. This charge is directly attributable to the HH Merger, is nonrecurring, and is not expected to have a continuing impact on the results of the combined company.
- L. **Interest expense.** Reflects interest expense on the \$15,000 of borrowings described in Note 4(F), incurred under Harte Hanks' existing credit facility with Texas Capital Bank ("TCB") in connection with the HH Merger. The borrowings bear interest at a floating rate equal to the Secured Overnight Financing Rate ("SOFR") plus a margin of 225 basis points per annum. For purposes of the unaudited pro forma condensed combined financial information, an assumed rate of 5.93% per annum has been applied, based on SOFR of 3.68% as of August 31, 2026, resulting in additional interest expense of \$890 for the year ended December 31, 2025. A change of 0.125% in the assumed interest rate would change pro forma interest expense by approximately \$19 annually.
- M. **Pension Expense.** Represents the reversal of amounts reflected in net periodic pension benefit cost amortized out of Accumulated Other Comprehensive Loss of \$394, reflecting the elimination of historical equity account balances in connection with the HH Merger transaction as if it had been consummated on January 1, 2025.
- N. **Dividend on Series A perpetual preferred stock.** Reflects dividends on the 1,917,672 shares of Series A Preferred Stock assumed to be issued in the HH Merger, at the stated rate of 10.0% per annum, equivalent to \$1.00 per share annually. The adjustment is \$1,918 for the year ended December 31, 2025. Dividends on the Series A Preferred Stock are cumulative and are deducted in determining net loss attributable to common shareholders in accordance with ASC 260-10-45-11, whether or not declared. The Series A Preferred Stock is not convertible into common stock and therefore has no dilutive effect on pro forma net income or loss per share. Potentially dilutive securities of Star have been excluded from the computation of diluted net loss per share because their effect would be antidilutive.
- O. **Weighted-average shares outstanding.** Reflects the elimination of the historical weighted-average shares of Harte Hanks common stock. No shares of Star common stock will be issued in the HH Merger, and accordingly no adjustment has been made to increase the weighted-average shares of Star common stock outstanding.
- P. **Dividends declared per share of Series A perpetual preferred stock.** Reflects preferred dividends as if the acquisitions of Star Operating Companies, Alliance Drilling Tools, and Harte Hanks took place on January 1, 2025 at the rate of \$1.00 per share per annum.
- Q. **Income Taxes.** No adjustment to the provision for income taxes has been reflected. The Company has recorded valuation allowances against a portion of its deferred tax assets, and the tax effect of the pro forma adjustments is not expected to be material. The effective tax rate of the combined company could differ from the rates assumed for purposes of preparing the pro forma financial information.

Pro Forma Income Statement for the six months ended June 30, 2026:

- R. **Amortization of acquired intangible assets.** Reflects amortization of the identifiable intangible assets recognized in the preliminary purchase price allocation. A pro forma adjustment has been included to reflect incremental amortization expense of approximately \$1,729 for the six months ended June 30, 2026. This adjustment is based on the estimated fair values assigned to identifiable amortizable intangible assets acquired as part of the Harte Hanks acquisition.
- S. **Interest expense.** Reflects interest expense on the \$15,000 of borrowings described in Note 4(F), incurred under Harte Hanks' existing credit facility with Texas Capital Bank ("TCB") in connection with the HH Merger. The borrowings bear interest at a floating rate equal to the Secured Overnight Financing Rate ("SOFR") plus a margin of 225 basis points per annum. For purposes of the unaudited pro forma condensed combined financial information, an assumed rate of 5.93% per annum has been applied, based on SOFR of 3.68% as of August 31, 2026, resulting in additional interest expense of \$445 for the six months ended June 30, 2026. A change of 0.125% in the assumed interest rate would change pro forma interest expense by approximately \$9 for the six months ended June 30, 2026.
- T. **Pension Expense.** Represents the reversal of amounts reflected in net periodic pension benefit cost amortized out of Accumulated Other Comprehensive Loss of \$228, reflecting the elimination of historical equity account balances in connection with the HH Merger transaction as if it had been consummated on January 1, 2025.

- U. **Dividends on Series A perpetual preferred stock.** Reflects dividends on the 1,917,672 shares of Series A Preferred Stock assumed to be issued in the HH Merger, at the stated rate of 10.0% per annum, equivalent to \$1.00 per share annually. The adjustment is \$959 for the six months ended June 30, 2026. Dividends on the Series A Preferred Stock are cumulative and are deducted in determining net loss attributable to common shareholders in accordance with ASC 260-10-45-11, whether or not declared. The Series A Preferred Stock is not convertible into common stock and therefore has no dilutive effect on pro forma net loss per share. Potentially dilutive securities of Star have been excluded from the computation of diluted net loss per share because their effect would be antidilutive.
- V. **Weighted-average shares outstanding.** Reflects the elimination of the historical weighted-average shares of Harte Hanks common stock. No shares of Star common stock will be issued in the HH Merger, and accordingly no adjustment has been made to increase the weighted-average shares of Star common stock outstanding.
- W. **Dividends declared per share of Series A perpetual preferred stock.** Reflects preferred dividends as if the acquisitions of Star Operating Companies, Alliance Drilling Tools, and Harte Hanks took place on January 1, 2025, with outstanding preferred shares earning dividends at the rate of \$1.00 per share per annum.
- X. **Income Taxes.** No adjustment to the provision for income taxes has been reflected. The Company has recorded valuation allowances against a portion of its deferred tax assets, and the tax effect of the pro forma adjustments is not expected to be material. The effective tax rate of the combined company could differ from the rates assumed for purposes of preparing the pro forma financial information.

Note 5. Preliminary Purchase Price Allocation

The following is a preliminary estimate of the allocation of the purchase price:

Asset / Liability Amounts	
Tangible assets acquired	\$ 87,491
Intangible assets acquired	568
Liabilities assumed	(72,709)
Intangible assets	30,227
Goodwill	4,976
Operating lease right-of-use assets step up	2,441
Deferred Tax write down	(15,982)
Accrued expenses	(350)
Total estimated purchase price	\$ 36,662

The final allocation will be based on fair value appraisals and determinations.

Note 6. Merger Costs

Transaction costs incurred or expected to be incurred in connection with the merger, such as legal, advisory, accounting, and integration expenses, are estimated at approximately \$500 and are reflected as an adjustment to accumulated deficit.

Note 7. Intangible Assets

Amortization expense is computed using the straight-line method over the following estimated useful lives:

Brand name	Indefinite
Customer relationships	8 years
Developed technology	3 years

Dividend Information

Star has not declared or paid dividends on its common stock. However, holders of Star's 10% Series A Cumulative Perpetual Preferred Stock are entitled to receive preferential cumulative cash dividends, when and if declared by the board of directors, at a rate of 10.0% per annum. Dividends are payable quarterly in arrears in March, June, September, and December, to holders of record as of the first day of each payment month.

Following the completion of the merger, the combined company does not expect to pay any cash dividends on its common stock in the foreseeable future. The board of directors believes that in general, repurchases of Company common stock represent a more effective use of capital. The declaration and payment of any future dividends by the combined company will be subject to the discretion of its board of directors and will depend upon many factors, including the combined company's financial condition, earnings, legal requirements, and other factors the board of directors deems relevant.

DESCRIPTION OF STAR 10% SERIES A CUMULATIVE PERPETUAL PREFERRED STOCK

As a result of the Merger, Harte Hanks stockholders who receive shares of Star Preferred Stock in the Merger will become Star Preferred Stockholders. Your rights as a Star Preferred Stockholder will be governed by Delaware law, Star's Certificate of Designations, Rights and Preferences of 10% Series A Cumulative Perpetual Preferred Stock, Star's amended and restated certificate of incorporation, and Star's bylaws. The following description of the material terms of Star's Preferred Stock reflects the anticipated state of affairs upon consummation of the Merger. We urge you to read the applicable provisions of Delaware law, Star's Certificate of Designations, Rights and Preferences of 10% Series A Cumulative Perpetual Preferred Stock and Star's amended and restated certificate of incorporation, and Star's bylaws carefully and in their entirety.

General

The Company's certificate of incorporation, as amended (the "**Charter**"), authorizes the issuance of 10,000,000 shares of preferred stock, par value \$0.001 per share. The Charter authorizes the Board of Directors to issue preferred stock in one or more series and, subject to the Charter, to establish for each series its number of shares and relative rights and preferences, including dividend, redemption, liquidation, conversion and voting rights.

Pursuant to the Certificate of Designations, Rights and Preferences of 10% Series A Cumulative Perpetual Preferred Stock (the "**Certificate of Designations**"), the Company has designated 8,000,000 shares as 10% Series A Cumulative Perpetual Preferred Stock, par value \$0.001 per share (the "**Star Preferred Stock**"). The Company may issue additional shares of Star Preferred Stock, up to the 8,000,000 shares constituting the series. As of the Record Date, Star has [] shares of Star Preferred Stock issued and outstanding.

Rank

With respect to dividend rights and rights upon the liquidation, dissolution or winding up of the Company, the Star Preferred Stock ranks (i) senior to the Company's common stock and all other equity securities that expressly rank junior to the Star Preferred Stock; (ii) on a parity with all equity securities that expressly rank on a parity with the Star Preferred Stock (collectively, "**Parity Preferred Stock**"); and (iii) junior to all equity securities that expressly rank senior to the Star Preferred Stock and to all existing and future indebtedness of the Company. For this purpose, "equity securities" does not include convertible debt securities.

Dividends

Holders of the Star Preferred Stock are entitled to receive, when and as authorized by the Board of Directors (or a duly authorized committee) and declared by the Company, out of funds legally available for dividends, preferential cumulative cash dividends at a rate of 10% per annum of the \$10.00 liquidation preference per share, equivalent to \$1.00 per share annually. Dividends accumulate from, but excluding, the original issue date and are payable quarterly in arrears on or before the last day of March, June, September and December of each year, or, if that day is not a Business Day, on the immediately succeeding Business Day, or on a later date designated by the Board of Directors with the same force and effect as if paid on that date. "**Business Day**" means a calendar day on which the Nasdaq Global Select Market is open for trading.

For a partial dividend period, dividends are computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends are payable to holders of record at the close of business on the first day of March, June, September and December, whether or not a Business Day, in which the relevant dividend payment date falls.

Dividends accumulate whether or not the Company has earnings, whether or not funds are legally available for their payment, whether restrictions otherwise exist, and whether or not the dividends are authorized or declared. Accumulated but unpaid dividends do not bear interest. If dividends are not paid in full, or a sum sufficient for payment is not set aside, on the Star Preferred Stock and any Parity Preferred Stock, dividends declared on those securities must be declared pro rata in accordance with their respective accumulated dividends per share.

Unless full cumulative dividends on the Star Preferred Stock for all past dividend periods are paid, or declared and funds sufficient for payment are set aside, the Company may not declare or pay dividends or other distributions on, or purchase or otherwise acquire for consideration, its common stock or other stock ranking junior to or on a parity with the Star Preferred Stock as to dividends or liquidation. This restriction does not apply to dividends in common stock or other securities ranking junior to the Star Preferred Stock as to dividends and liquidation. Payments on the Star Preferred Stock are first credited against the earliest accumulated unpaid dividend.

Liquidation Preference

Upon any voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of Star Preferred Stock are entitled to receive, before any distribution to holders of common stock or other securities ranking junior to the Star Preferred Stock as to liquidation rights, \$10.00 per share plus accumulated and unpaid dividends to, but excluding, the payment date, without interest. If the assets legally available for distribution are insufficient to pay the full liquidation preference on the Star Preferred Stock and any Parity Preferred Stock, available assets are distributed pro rata in accordance with the respective per-share liquidation preferences.

After holders receive the full liquidation preference and accumulated and unpaid dividends to which they are entitled, they have no right or claim to the Company's remaining assets. A consolidation, conversion or Merger involving the Company, a statutory share exchange, or a sale, lease, transfer or conveyance of all or substantially all of the Company's property or business does not constitute a liquidation, dissolution or winding up for this purpose.

Voting Rights and Protective Provisions

Holders of Star Preferred Stock have no voting rights except as described below or as otherwise required by law.

If dividends on any shares of Star Preferred Stock are in arrears for six or more consecutive quarterly dividend periods (a "**Preferred Dividend Default**"), holders of the Star Preferred Stock and holders of Parity Preferred Stock with equivalent exercisable voting rights vote together as a single class to elect two additional directors (the "**Preferred Stock Directors**"). The election occurs at the next annual meeting or at a special meeting requested in writing by holders of record of at least 20% of the Star Preferred Stock or at least 20% of an affected series of Parity Preferred Stock, except that a request received fewer than 90 days before the next annual or special stockholder meeting is considered at the earlier of those meetings. The right continues until all accumulated dividends for prior dividend periods and the dividend for the current dividend period are paid in full or declared and funds sufficient for payment are set aside.

For a meeting to elect Preferred Stock Directors, a quorum consists of a majority of the outstanding Star Preferred Stock and affected Parity Preferred Stock represented in person or by proxy. The Preferred Stock Directors are elected by a plurality of votes cast by the holders present and voting at a meeting with a quorum. During a Preferred Dividend Default, a Preferred Stock Director may be removed, with or without cause, only by the vote of a majority of the outstanding Star Preferred Stock and affected Parity Preferred Stock voting together as a class. A vacancy may be filled by written consent of the remaining Preferred Stock Director or, if no Preferred Stock Director remains in office, by the vote of a majority of the outstanding Star Preferred Stock and affected Parity Preferred Stock voting together as a class.

If the Company does not call a special meeting within 30 days after a valid request for the election of Preferred Stock Directors, holders of record of at least 20% of the outstanding Star Preferred Stock may designate a holder to call the meeting at the Company's expense. Each Preferred Stock Director has one vote on every matter submitted to the Board of Directors.

So long as any Star Preferred Stock remains outstanding, the Company may not, without the affirmative vote or consent of holders of at least a majority of the then-outstanding Star Preferred Stock, voting separately as a class, amend, alter or repeal any Charter provision, including the terms of the Star Preferred Stock, whether by Merger, consolidation or otherwise, in a manner that materially and adversely affects any right, preference, privilege or voting power of the Star Preferred Stock. This class vote is not required for an event in which the Star Preferred Stock, or substitute securities of a surviving entity, remains outstanding with terms that are materially unchanged, or for an increase in the authorized number of Star Preferred Stock or other preferred stock, or the creation or issuance of other preferred stock, that ranks on a parity with or junior to the Star Preferred Stock as to dividends and liquidation.

Other Provisions

The Star Preferred Stock is not convertible into or exchangeable for other Company property or securities. It has a perpetual term and is not subject to a sinking fund. Holders have no preemptive right, solely by virtue of their ownership of Star Preferred Stock, to purchase or subscribe for additional Company securities. Any Star Preferred Stock repurchased by the Company becomes authorized but unissued preferred stock.

The Star Preferred Stock is initially represented by one or more global certificates registered in the name of the securities depository or its nominee, and no transfer is registered to a person other than the securities depository or its nominee. If the Company is not subject to Section 13 or Section 15(d) of the Exchange Act while any Star Preferred Stock remains outstanding, the Company must use best efforts to mail holders the annual and quarterly reports it would otherwise be required to file with the SEC, without exhibits, within 15 days after the applicable filing deadline that would apply to a non-accelerated filer, and must provide copies to prospective holders upon written request.

Charter and Bylaws Provisions Applicable to Star Preferred Stock Holders

The Star bylaws provide that, unless the Company consents in writing to another forum, specified internal corporate claims must be brought exclusively in the Delaware Court of Chancery (or, if that court lacks jurisdiction, the federal district court for the District of Delaware), and Securities Act claims must be brought exclusively in the federal district courts of the United States. A person acquiring or holding Company capital stock is deemed to have notice of and consented to that provision.

Stock Exchange Listing

The Star Preferred Stock is listed on the Nasdaq Global Select Market under the trading symbol “STRRP.”

Transfer Agent and Registrar

Star’s transfer agent and registrar for the Star Preferred Stock is Computershare, Inc., 150 Royall Street, Suite 101, Canton, MA 02021.

COMPARISON OF THE RIGHTS OF STAR PREFERRED STOCKHOLDERS AND HARTE HANKS STOCKHOLDERS

If the Merger is completed, Harte Hanks stockholders may receive shares of Star Preferred Stock in the Merger, and they will cease to be Harte Hanks stockholders.

Harte Hanks and Star are both organized under the laws of the State of Delaware. The following is a summary of certain material differences between (i) the current rights of Harte Hanks stockholders under the Harte Hanks certificate of incorporation and bylaws and Delaware law and (ii) the current rights of Star Preferred Stockholders under Star's Certificate of Designations, Star's amended and restated certificate of incorporation, Star's bylaws, and Delaware law.

The following summary is not a complete statement of the rights of stockholders of the two companies or a complete description of the specific provisions referred to below. The summary is qualified in its entirety by reference to Harte Hanks' and Star's governing documents, which we urge you to read carefully and in their entirety. Copies of Star's governing documents have been filed with the SEC. See "Where You Can Find More Information" beginning on page 135.

	<u>Star Preferred Stockholders</u>	<u>Harte Hanks Common Stockholders</u>
Authorized Capital Stock	10% Series A Cumulative Perpetual Preferred Stock is a designated series of Star Preferred Stock. The Certificate of Designations authorizes 8,000,000 10% Series A Cumulative Perpetual Preferred shares. Star's Charter, as amended, authorizes 20,000,000 common shares and 10,000,000 preferred shares.	Harte Hanks' certificate of incorporation, as amended, authorizes 25,000,000 common shares, par value \$1.00 per share, and 1,000,000 preferred shares, par value \$1.00 per share.
Rank	Senior to Star Common Stock and equity securities expressly junior to Star Preferred Stock as to dividends and liquidation; pari passu with equity expressly designated as parity preferred; junior to equity expressly senior and to all Star indebtedness.	Junior to any Harte Hanks preferred stock as to dividends and liquidation; common holders receive dividends only after applicable preferred-dividend and sinking-fund requirements and receive residual assets only after the applicable preferred liquidation preference is paid.
Dividends	Entitled, when authorized and declared from legally available funds, to cumulative cash dividends at 10% annually of the \$10.00 liquidation preference, a fixed annual amount of \$1.00 per share, payable quarterly in arrears. Dividends accumulate irrespective of earnings, legally available funds, or declaration, but do not bear interest. Until full cumulative dividends are paid or set aside, Star generally may not pay cash/property dividends or make distributions on, or repurchase, junior or parity equity.	Dividends may be declared by the board, subject to the charter's preferred-stock priority and applicable law.

Liquidation / Dissolution	Receives \$10.00 per share plus accumulated and unpaid dividends (without interest) before any distribution to Star common stock or other stock junior in liquidation. After that payment, Star Preferred stockholders have no claim to residual assets. A Merger, consolidation, statutory share exchange, or sale/lease/transfer of all or substantially all assets is expressly not a liquidation event.	Receives ratably the residual assets available for distribution only after the full preferential amount payable to Harte Hanks preferred stock has been distributed.
Conversion Rights	Not convertible into or exchangeable for any other Star property or securities.	No conversion or exchange right.
Redemption Right	None.	None.
Preemptive Right	None.	None.
Information Rights	<p>If Star is not subject to Exchange Act Section 13 or 15(d) reporting while Star Preferred Stock remains outstanding, Star must use best efforts to deliver the annual and quarterly reports it would otherwise be required to file, within 15 days after the hypothetical filing deadline.</p>	The bylaws require a stockholder list to be open for examination for a meeting-related purpose for at least 10 days before a meeting.
Voting Rights	<p>No general voting right. If dividends are in arrears for six or more consecutive quarters, they vote separately with applicable parity preferred holders to elect two additional directors; the class-vote quorum is a majority of outstanding Star Preferred Stock and applicable parity preferred shares, and the directors are elected by plurality. Holders of at least 20% of Star Preferred Stock (or an applicable parity series) may request the meeting, and if Star does not call it within 30 days, designated holders of at least 20% of Star Preferred Stock may call it at Star's expense. The preferred-director right ends when all accumulated dividends and the current-period dividend are paid or declared and set aside. While Star Preferred Stock is outstanding, a separate vote or written consent of at least a majority of outstanding Star Preferred Stock shares is required for a Charter amendment, alteration, or repeal (including through a Merger or consolidation) that materially and adversely affects its rights, preferences, privileges, or voting powers; specified increases in authorized or parity/junior preferred stock are excluded. Star Preferred stockholders may remove the two preferred directors only when the dividend-default voting right is in effect and only by the applicable preferred class vote. The documents do not grant Star Preferred stockholders general special-meeting, written-consent, nomination, or stockholder-business rights solely by reason of holding Star Preferred Stock.</p>	<p>Generally, one vote per share on all matters. Common holders elect directors annually by majority of votes cast in an uncontested election and by plurality in a contested election. They may remove directors by majority vote of shares entitled to vote in director elections. Charter amendments generally require majority approval of outstanding voting stock, with a 66 2/3% vote for amendments to specified charter articles; bylaws may be amended by the specified board approval or a 66 2/3% stockholder vote. Stockholder written consent is prohibited. Common holders cannot call special meetings, which only the board, chairman, or CEO may call. Annual-meeting business and nominations require advance notice 90–120 days before the prior annual meeting anniversary, subject to the bylaws' alternative timing rule and detailed disclosure requirements.</p>

Board Size, Classification, Vacancies, and Removal	Star Preferred Stock does not generally elect or remove Star directors. Its two preferred directors, if elected during a dividend default, may be removed only by the applicable preferred holders voting as a class. Star's general board framework is not a Star Preferred stockholder right except when Star Preferred Stock voting rights are triggered.	The board of directors of Harte Hanks currently consists of four directors. Board size is set by the board (default seven) and directors serve one-year terms. Vacancies are filled by a majority of remaining directors, even if less than a quorum. Common stockholders may remove directors by majority vote of shares entitled to vote in director elections.
Special Meetings	No general right to call a Star stockholder meeting is granted solely by holding Star Preferred Stock. During a preferred dividend default, the 20% mechanism described above applies for the election of preferred directors.	Common stockholders have no right to call a special meeting. Only the board, chairman, or CEO may call one.
Written Consent	No general voting right is granted to Star Preferred stockholders, but the Star Preferred Stock protective vote may be given in writing or at a meeting.	Stockholder action by written consent is prohibited; action must be taken at a duly noticed annual or special meeting.
Advance Notice of Stockholder Business / Nominations	No Star Preferred Stock voting rights or separate nomination/business-proposal right.	A record holder must deliver notice for annual-meeting business or nominations 90–120 days before the anniversary of the prior annual meeting, subject to the bylaws' alternative timing rule.
Transfer and Form of Holding	Star Preferred Stock is initially represented by one or more global certificates registered in the name of the securities depository or its nominee. The Certificate of Designations provides that no transfer registration is made on Star's books to any person other than the depository or nominee.	Shares may be certificated or uncertificated if the board so resolves. Transfers are made on Harte Hanks' books by the registered holder or authorized attorney, and certificated transfers require surrender of the certificate.
Amendment of Charter and Bylaws	None.	Charter amendments generally require a majority of outstanding voting stock, but amendments to Articles Fifth, Seventh, Eighth, Tenth, and Eleventh require 66 2/3%. Bylaw amendments require either the specified board approval or 66 2/3% of voting power; heightened protections apply where an interested stockholder or affiliated director proposes the change.
Exclusive Forum	Delaware Court of Chancery (or, if it lacks jurisdiction, the U.S. District Court for the District of Delaware) is the exclusive forum for specified internal corporate claims unless Star consents otherwise. Federal district courts are the exclusive forum for Securities Act claims.	Unless Harte Hanks consents in writing, the Delaware Court of Chancery is the exclusive forum for specified internal corporate claims, with Delaware state court and then the U.S. District Court for the District of Delaware as successive alternatives if jurisdiction is unavailable.
Director Liability and Indemnification	Star Preferred Stock does not receive a separate holder-specific indemnification or exculpation right.	Common stockholders do not receive a holder-specific indemnification or exculpation right. Harte Hanks directors have exculpation rights, and Harte Hanks directors, officers, employees, and agents have exculpation/indemnification/ advancement rights to the fullest extent permitted under the DGCL.
Appraisal / Dissenters' Rights	None.	None.

LEGAL MATTERS

The validity of Star 10% Series A Cumulative Perpetual Preferred Stock to be issued in connection with the Merger will be passed upon for Star by Baker & Hostetler LLP, counsel for Star.

EXPERTS

Star

The consolidated financial statements of Star as of December 31, 2025 and 2024, and for each of the years in the two-year period ended December 31, 2025, have been included herewith in reliance on the report of Wolf & Company, P.C., an independent registered public accounting firm, upon the authority of said firm as experts in accounting and auditing.

Harte Hanks

The consolidated financial statements of Harte Hanks as of December 31, 2025 and 2024, and for each of the years in the two-year period ended December 31, 2025, have been included herewith in reliance on the report of Wolf & Company, P.C., independent registered public accounting firm, upon the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

Star and Harte Hanks file annual, quarterly and current reports, proxy statements and other information with the SEC. The SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including both Star and Harte Hanks, which you can access at www.sec.gov. In addition, you may obtain free copies of the documents Star files with the SEC, including the registration statement on Form S-4, of which this proxy statement/prospectus forms a part, by going to Star's Internet website at <https://www.starequity.com/> and you may obtain free copies of the documents Harte Hanks files with the SEC by going to Harte Hanks' Internet website at <https://www.hartehanks.com/>. The Internet website addresses of Star and Harte Hanks are provided as inactive textual references only. The information provided on the Internet websites of Star and Harte Hanks, other than copies of the documents listed below that have been filed with the SEC, is not part of this proxy statement/prospectus and, therefore, is not incorporated herein by reference.

You can obtain any documents from the SEC through the SEC's website at the address indicated above or from Harte Hanks or Star, as applicable, by requesting them in writing or by telephone from the appropriate company at the following addresses and telephone numbers.

Star Equity Holdings, Inc.
53 Forest Avenue, Suite 101
Old Greenwich, CT 06870
(203) 489-9500
Attention: Corporate Secretary

Harte Hanks, Inc.
1 Executive Drive, Suite 303
Chelmsford, MA 01824
Attention: Corporate Secretary / General Counsel
(512) 434-1100

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ANNEX A
AGREEMENT AND PLAN OF MERGER

by and among

Star Equity Holdings, Inc.,

Merger Sub - R, Inc.

and

Harte Hanks, Inc.

Dated as of August 14, 2026

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AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this “**Agreement**”) is made and entered into as of August 14, 2026, by and among Star Equity Holdings, Inc., a Delaware corporation (“**Parent**”), Merger Sub - R, Inc., a Delaware corporation and a wholly owned subsidiary of Parent (“**Merger Sub**”), and Harte Hanks, Inc., a Delaware corporation (the “**Company**”). Each of Parent, Merger Sub and the Company are sometimes referred to as a “**Party**.” All capitalized terms that are used in this Agreement have the respective meanings given to them in Article I.

RECITALS

A. The Company Board has (i) determined that it is in the best interests of the Company and its stockholders to enter into this Agreement providing for the merger of Merger Sub with and into the Company, with the Company surviving and Merger Sub ceasing to exist (the “**Merger**”), and declared this Agreement advisable, in accordance with the General Corporation Law of the State of Delaware (the “**DGCL**”) upon the terms and subject to the conditions set forth herein; (ii) approved the execution and delivery of this Agreement by the Company, the performance by the Company of its covenants and other obligations hereunder, and the consummation of the Merger upon the terms and subject to the conditions set forth herein; and (iii) resolved to recommend that the stockholders of the Company vote in favor of the adoption of this Agreement and approve the Merger in accordance with the DGCL.

B. Each of the board of directors of Parent and the board of directors of Merger Sub have (i) declared it advisable to enter into this Agreement; and (ii) approved the execution and delivery of this Agreement, the performance of their respective covenants and other obligations hereunder, and the consummation of the Merger upon the terms and subject to the conditions set forth herein.

C. Immediately after the execution and delivery of this Agreement, certain stockholders of the Company will enter into voting and support agreements (the “**Voting and Support Agreements**”) with the Company and Parent, pursuant to which such stockholders will agree, among other things, to vote their shares of Company Common Stock in favor of the adoption of this Agreement, on the terms and subject to the conditions set forth therein.

D. Parent, Merger Sub and the Company desire to (i) make certain representations, warranties, covenants and agreements in connection with this Agreement and the Merger; and (ii) prescribe certain conditions with respect to the consummation of the Merger.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and the representations, warranties, covenants and agreements set forth herein, as well as other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and accepted, and intending to be legally bound hereby, Parent, Merger Sub and the Company agree as follows:

Article I DEFINITIONS & INTERPRETATIONS

1.1 *Certain Definitions.* For all purposes of and pursuant to this Agreement, the following capitalized terms have the following respective meanings:

(a) “**ABL Loan Agreement**” means that certain Loan Agreement, dated as of December 21, 2021, among the Company, the subsidiary guarantors party thereto and Texas Capital Bank, as amended by that certain First Amendment to Loan Agreement, dated as of

December 29, 2023, and that certain Second Amendment to Loan Agreement, dated as of June 24, 2025 (as further amended, restated, supplemented or otherwise modified from time to time).

(b) “**ABL Loan Agreement Amendment**” means an amendment to the ABL Loan Agreement, in form and substance satisfactory to Parent, (i) providing for the Debt Financing, (ii) evidencing Texas Capital Bank’s consent to the consummation of the Closing subject to and in accordance with the terms of this Agreement, and (iii) providing for the continued financing of the Company’s business from and after the Closing.

(c) “**Acceptable Confidentiality Agreement**” means an agreement with the Company that is either (i) in effect as of the execution and delivery of this Agreement; or (ii) executed, delivered and effective after the execution and delivery of this Agreement, in either case, that contains customary provisions that require any counterparty thereto (and any of its Affiliates and representatives named therein) that receives material non-public information of or with respect to the Company to keep such information confidential; provided, however, that, in each case, the provisions contained therein are no less restrictive in any material respect to such counterparty (and any of its Affiliates and representatives named therein) than the terms of the Confidentiality Agreement and do not prohibit the Company from complying with its obligations under this Agreement, including Section 5.3.

(d) “**Acquisition Proposal**” means any bona fide offer or proposal (other than an offer or proposal by Parent or Merger Sub) to engage in an Acquisition Transaction.

(e) “**Acquisition Transaction**” means any transaction or series of related transactions (other than the Merger) involving:

- (i) any direct or indirect purchase or other acquisition by any Person or “group” (as defined pursuant to Section 13(d) of the Exchange Act) of Persons, whether from the Company or any other Person(s), of securities representing more than 25% of the total outstanding voting power of the Company after giving effect to the consummation of such purchase or other acquisition, including pursuant to a tender offer or exchange offer by any Person or “group” of Persons that, if consummated in accordance with its terms, would result in such Person or “group” of Persons beneficially owning more than 25% of the total outstanding voting power of the Company after giving effect to the consummation of such tender or exchange offer;
- (ii) any direct or indirect purchase (including by way of merger, consolidation, business combination, recapitalization, reorganization, liquidation, dissolution or other transaction), license or other acquisition by any Person or “group” (as defined pursuant to Section 13(d) of the Exchange Act) of Persons of assets constituting or accounting for more than 25% of the consolidated assets, revenue or net income of the Company Group, taken as a whole (measured by the fair market value thereof as of the date of such purchase or acquisition, as determined in good faith by the Company Board or a committee thereof); or
- (iii) any merger, consolidation, business combination, recapitalization, reorganization, liquidation, dissolution or other transaction involving the Company pursuant to which any Person or “group” (as defined pursuant to Section 13(d) of the Exchange Act) of Persons would hold securities representing more than 25% of the total outstanding voting power of the Company outstanding after giving effect to the consummation of such transaction.

(f) “**Affiliate**” means, with respect to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person. For purposes

of this definition, the term “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities, by contract or otherwise.

(g) “**Antitrust Law**” means the Sherman Antitrust Act, the Clayton Antitrust Act, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, the Federal Trade Commission Act and all other laws, whether in any domestic or foreign jurisdiction, that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or significant impediments or lessening of competition or the creation or strengthening of a dominant position through merger or acquisition, in any case that are applicable to the Merger.

(h) “**Audited Company Balance Sheet**” means the consolidated balance sheet (and the notes thereto) of the Company Group as of December 31, 2025 set forth in the Company’s Annual Report on Form 10-K filed by the Company with the SEC for the fiscal year ended December 31, 2025.

(i) “**Business Day**” means each day that is not a Saturday, Sunday or other day on which the Federal Reserve Bank of New York is closed.

(j) “**Code**” means the Internal Revenue Code of 1986, as amended.

(k) “**Company Board**” means the Board of Directors of the Company.

(l) “**Company Capital Stock**” means the Company Common Stock.

(m) “**Company Common Stock**” means the common stock, par value \$1.00 per share, of the Company.

(n) “**Company Equity Awards**” means the Company Options, the Company RSUs and the Company PSUs.

(o) “**Company Equity Plans**” means the Company’s 2020 Equity Incentive Plan, the Company’s Amended and Restated 2013 Omnibus Incentive Plan and the Company’s 2023 Inducement Equity Incentive Plan.

(p) “**Company Group**” means the Company and its Subsidiaries.

(q) “**Company Intellectual Property**” means any Intellectual Property that is owned by the Company Group.

(r) “**Company Material Adverse Effect**” means any fact, change, event, violation, inaccuracy, effect, occurrence or circumstance (each, an “**Effect**”) that, individually or taken together with all other Effects, has had or would reasonably be expected to have a material adverse effect on the business, financial condition, or results of operations of the Company Group, taken as a whole, or would reasonably be expected to, individually or in the aggregate, make impossible the ability of the Company to satisfy the conditions precedent to the Merger or consummate the Merger and the other transactions contemplated by this Agreement prior to the Termination Date; *provided, however*, that none of the following (by itself or when aggregated) will be deemed to be or constitute a Company Material Adverse Effect or will be taken into account when determining whether a Company Material Adverse Effect has occurred or may, would or could occur (subject to the limitations set forth below):

- (i) changes in general economic conditions in the United States or any other country or region in the world, or changes in conditions in the global economy generally;

- (ii) changes in conditions in the financial markets or capital markets in the United States or any other country or region in the world, including (A) changes in exchange rates for the currencies of any country or (B) any suspension of trading in securities (whether equity, debt, derivative or hybrid securities) generally on any securities exchange or over-the-counter market operating in the United States or any other country or region in the world;
- (iii) changes in conditions in the industries in which the Company Group conducts business;
- (iv) changes in regulatory, legislative or political conditions in the United States or any other country or region in the world;
- (v) any geopolitical conditions, cyberattack, outbreak of hostilities, acts of war, sabotage, terrorism or military actions (including any escalation or general worsening of any such hostilities, acts of war, sabotage, terrorism or military actions) in the United States or any other country or region in the world;
- (vi) earthquakes, hurricanes, tsunamis, tornadoes, floods, mudslides, wildfires or other natural disasters or weather conditions, epidemics, pandemics, disease outbreaks or other force majeure events or acts of God in the United States or any other country or region in the world;
- (vii) any Effect resulting from the negotiation, execution, delivery, announcement, pendency, performance, compliance with the terms of or consummation of this Agreement or the Transactions, including the impact thereof on the relationships, contractual or otherwise, of the Company Group with employees, suppliers, customers, partners, vendors or any other third Person;
- (viii) any action taken or refrained from being taken by the Company or its Subsidiaries, Affiliates or Representatives that is expressly required by the terms of this Agreement, or is consented to by Parent;
- (ix) any action taken or refrained from being taken, in each case by any member of the Company Group to which Parent has expressly approved, consented to or requested in writing following the date of this Agreement;
- (x) changes or proposed changes in GAAP or other accounting standards or in any applicable laws or regulations (or the enforcement or interpretation of any of the foregoing);
- (xi) changes in the price or trading volume of the Company Common Stock or changes or prospective changes to the Company's credit rating (it being understood that any cause of such change may be deemed to constitute, in and of itself, a Company Material Adverse Effect and may be taken into consideration when determining whether a Company Material Adverse Effect has occurred to the extent not otherwise falling within any of the exceptions set forth in clauses (i) through (xiv) other than this clause (xi));
- (xii) any failure by the Company Group to meet (A) any public estimates or expectations of the Company's revenue, earnings, cash flows, EBITDA or other financial performance or results of operations for any period; or (B) any internal budgets, plans, or projections or internal forecasts of its

revenues, earnings, cash flows, EBITDA or other financial performance or results of operations (it being understood that any cause of any such failure, and any Effect underlying or contributing to such failure, may be deemed to constitute, in and of itself, a Company Material Adverse Effect and may be taken into consideration when determining whether a Company Material Adverse Effect has occurred to the extent not otherwise falling within any of the exceptions set forth in clauses (i) through (xiv) other than this clause (xii));

(xiii) any Company Transaction Litigation; and

(xiv) any breach, violation or non-performance by Parent or Merger Sub of any of their respective obligations under this Agreement.

provided, further, that the exceptions set forth in clauses (i), (ii), (iii), (iv), (v), (vi) and (x) shall not apply to the extent that such Effect has had, or would reasonably be expected to have, a disproportionate adverse effect on the Company Group, taken as a whole, relative to other companies operating in the industries in which the Company Group operates.

(s) “**Company Option**” means an option to purchase shares of Company Common Stock granted pursuant to any of the Company Equity Plans.

(t) “**Company PSU**” means a performance stock unit award granted pursuant to any of the Company Equity Plans that vests in whole or in part upon the achievement of one or more performance goals (notwithstanding that the vesting of such award may also be conditioned upon the continued services of the holder thereof).

(u) “**Company Registered Intellectual Property**” means all of the Registered Intellectual Property owned by, or filed in the name of, the Company Group.

(v) “**Company RSU**” means a restricted stock unit award granted pursuant to any of the Company Equity Plans that vests in whole upon the continued services of the holder thereof.

(w) “**Company Stockholders**” means the holders of shares of Company Capital Stock.

(x) “**Company Transaction Expenses**” means the fees and expenses of (i) the Company’s financial advisor and any other investment banker, broker, advisor or similar party, and (ii) any accountant, legal counsel, proxy solicitor, stockholder meeting and proxy voting system manager, tax advisor, outside general counsel or consultant, or other Person, as well as the costs of all D&O Insurance (including any “tail policy” purchased pursuant to Section 6.7(c)), and all amounts payable by the Company (or any of its Subsidiaries), whether immediately or in the future, under any “change of control,” retention, termination, compensation, severance or other similar arrangements by reason of (either alone or in conjunction with any other event, such as termination or continuation of employment) the consummation of the Transactions or any Transaction document (including such amounts payable to any employee of any member of the Company (or any of its Subsidiaries) at the election of such employee pursuant to any such arrangements), in each case incurred or arising in connection with this Agreement or the Transactions; provided, however, that “Company Transaction Expenses” shall not include any amounts payable in respect of Award Company Shares pursuant to Section 2.9 or any amount payable in connection with the Debt Financing or any Alternative Debt Financing pursuant to Section 6.20.

(y) “**Company Transaction Litigation**” means any Legal Proceeding commenced or threatened against the Company or any of its Subsidiaries or Affiliates or otherwise relating to, involving or affecting such Party or any of its Subsidiaries or Affiliates, in each case in

connection with, arising from or otherwise relating to the Transactions, including any Legal Proceeding alleging or asserting any misrepresentation or omission in the Proxy Statement or any Other Required Filing, other than any Legal Proceedings among the Parties related to this Agreement.

(z) “**Continuing Employee**” means an individual who is an employee of a member of the Company Group immediately prior to the Effective Time and who continues to be an employee of Parent or one of its Subsidiaries (including the Surviving Corporation) immediately following the Effective Time.

(aa) “**Contract**” means any written contract, subcontract, note, bond, mortgage, indenture, lease, license, sublicense or other binding agreement.

(ab) “**Debt Financing**” means a proposed financing of a portion of the Cash Consideration and any cash in lieu of fractional shares of Parent Preferred Stock payable pursuant to Section 2.7, up to a cap of \$15,000,000 (the “**Maximum Debt Financing Amount**”), pursuant to a draw by the Company on its \$25,000,000 existing secured revolving credit facility under the ABL Loan Agreement.

(ac) “**Environmental Law**” means any law, statute, code, rule, regulation, decree, injunction or order in effect as of the date of this Agreement relating to pollution or the protection of the environment.

(ad) “**ERISA**” means the Employee Retirement Income Security Act of 1974.

(ae) “**Exchange Act**” means the Securities Exchange Act of 1934.

(af) “**Exempted Party**” means any Person, group of Persons or group that includes any Person (so long as such Person, together with all other members of such group, if any, who were members of such group that included such Person immediately prior to the expiration of the Go-Shop Period, represent at least 50% of the equity financing of such group at all times following the expiration of the Go-Shop Period), from whom the Company or any of its Representatives has received, after the execution of this Agreement and prior to the expiration of the Go-Shop Period, an Acquisition Proposal that the Company Board (or a committee thereof) determines in good faith (such determination to be made no later than prior to the No-Shop Period Start Date), after consultation with outside counsel and its financial advisors, is a Superior Proposal or would reasonably be expected to result in a Superior Proposal; *provided, however*, that such Person or group of Persons shall immediately and irrevocably cease to be an Exempted Party if, at any time after the No-Shop Period Start Date, the Acquisition Proposal submitted by such Person or group of Persons is withdrawn or terminated or modified in a manner such that, in the good faith determination of the Company Board (or a committee thereof) after consultation with outside counsel and its financial advisors, as modified, it no longer constitutes or is reasonably expected to result in a Superior Proposal.

(ag) “**GAAP**” means generally accepted accounting principles, consistently applied, in the United States.

(ah) “**Governmental Authority**” means any government, governmental or regulatory entity or body, department, commission, board, agency or instrumentality, and any court, tribunal, arbitrator (public or private) or judicial body, in each case whether federal, state, county or provincial, and whether local or foreign.

(ai) “**Hazardous Substance**” means any substance, material or waste that is regulated by a Governmental Authority as, “hazardous,” “toxic” or “radioactive” or words of similar import, pursuant to any Environmental Law, including petroleum and petroleum products, polychlorinated biphenyls and asbestos.

(aj) “**HIPAA**” means the Health Insurance Portability and Accountability Act of 1996, as amended, including the Health Information Technology for Economic and Clinical Health Act, and all regulations promulgated thereunder.

(ak) “**Indebtedness**” means any of the following liabilities or obligations: (i) indebtedness for borrowed money (including any principal, premium, accrued and unpaid interest, related expenses, prepayment penalties, commitment and other fees, sale or liquidity participation amounts, reimbursements, indemnities and all other amounts payable in connection therewith); (ii) liabilities evidenced by bonds, debentures, notes or other similar instruments or debt securities; (iii) liabilities pursuant to or in connection with letters of credit or banker’s acceptances or similar items (in each case whether or not drawn, contingent or otherwise); (iv) liabilities pursuant to capitalized or finance leases; (v) net obligations under interest rate and currency swap arrangements and any other arrangements designed to provide protection against fluctuations in interest or currency rates; (vi) deferred purchase price liabilities related to past acquisitions which would appear as liabilities on a balance sheet in accordance with GAAP; (vii) arising in connection with earnouts or other contingent payment obligations, in each case to the extent that such liabilities or obligations would appear as liabilities on a balance sheet in accordance with GAAP; and (viii) indebtedness of others guaranteed by the Company Group or secured by any lien or security interest on the assets of the Company Group.

(al) “**Health Law**” means any law, statute, code, rule, regulation, decree, guidance, GFI, injunction or order in effect as of the date of this Agreement, including but not limited to, the Federal Food, Drug, and Cosmetic Act, state equivalent food, drug, and cosmetic acts, state pharmacy practice acts, state drug manufacturing acts, the Drug Quality and Security Act, state wholesale laws, and any local equivalents.

(am) “**Intellectual Property**” means the rights associated with the following: (i) all United States and foreign priority, provisional, utility, and design patents and applications therefor (including all reissues, reexaminations, divisions, continuations, continuations in part, and extensions thereof) (“**Patents**”); (ii) all copyrights and rights in original works of authorship (whether registered or unregistered) (“**Copyrights**”); (iii) trademarks, trademark registrations, trademark applications, service marks, service mark registrations, service mark applications, trade dress rights (including trade dress, trade dress registrations, trade dress applications), trade names, business names, brand names, designs, and similar designation of origin and rights therein (“**Marks**”); (iv) rights in trade secrets, proprietary information, and confidential information, and other intellectual property rights in inventions, studies, manufacturing processes, know how, ideas, developments, drawings, software and data; (v) internet domain name and domain name registrations; (vi) any other intellectual property or proprietary rights or similar, corresponding or equivalent rights to any of the foregoing anywhere in the world; and (vii) registrations and applications for registration of any of the foregoing.

(an) “**IRS**” means the United States Internal Revenue Service or any successor thereto.

(ao) “**Knowledge**” of the Company, with respect to any matter in question, means the actual knowledge of any one of David Fisher, David Garrison, Doug Graham, Patrick O’Brien, or Benjamin Chacko, in each case after reasonable inquiry of those employees who would reasonably be expected to have actual knowledge of the matter in question. With respect to matters involving Intellectual Property, Knowledge does not require the Company, or any of its directors, officers or employees, to have conducted or have obtained any freedom to operate opinions or any Patent, Marks or other Intellectual Property clearance searches, and if not conducted or obtained, no knowledge of any third Person Patents, Marks or other Intellectual Property that would have been revealed by such opinions or searches will be imputed to the Company or any of its directors, officers or employees.

(ap) “**Legal Proceeding**” means any claim, action, charge, complaint, audit, lawsuit, litigation, investigation (to the Knowledge of the Company, as used in relation to the Company),

or other similar legal proceeding brought by or pending before any Governmental Authority, arbitrator (public or private), mediator or other tribunal.

(aq) **“Material Contract”** means any of the following Contracts of the Company Group (other than an Employee Plan):

- (i) any “material contract” (as defined in Item 601(b)(10) of Regulation S-K promulgated by the SEC, other than those agreements and arrangements described in Item 601(b)(10)(iii) of Regulation S-K) with respect to the Company Group, taken as a whole;
- (ii) any Contract with any staffing agency, employee leasing company, professional employer organization (PEO) or other labor supplier pursuant to which individuals provide services to the Company or any of its Subsidiaries;
- (iii) any Contract with any supplier, vendor, subcontractor or service provider that received aggregate payments from the Company Group in excess of \$1,000,000 during fiscal year 2025 or during year-to-date fiscal year 2026;
- (iv) any Contract with any customer that has made aggregate payments to the Company Group in excess of \$1,000,000 during fiscal year 2025 or during year-to-date fiscal year 2026 (each, a **“Material Customer”**);
- (v) any IP Contracts;
- (vi) any Contract providing for the research, development, design, enhancement, creation, authorship, invention, discovery, reduction to practice or other development of any material Intellectual Property for the benefit of the Company or any of its Subsidiaries;
- (vii) any Contract containing any covenant or other provision (A) limiting the right of the Company Group to engage in any material line of business or to compete with any Person in any line of business that is material to the Company; (B) prohibiting the Company or any of its Subsidiaries from engaging in any material business with any Person or levying a material fine, charge or other payment for doing so; or (C) containing and limiting the right of the Company Group pursuant to any “most favored nation” or “exclusivity” provisions, in each case other than any such Contracts that (1) may be cancelled without material liability to the Company Group upon notice of 90 days or less, or (2) are not material to the Company Group, taken as a whole;
- (viii) any Contract (A) relating to the disposition or acquisition of assets by the Company Group with a value greater than \$250,000 after the date of this Agreement other than in the ordinary course of business; (B) pursuant to which the Company Group will acquire any material ownership interest in any other Person or other business enterprise other than any Subsidiary of the Company; or (C) with respect to any acquisition or divestiture pursuant to which the Company Group has continuing indemnification, “earn-out” or other contingent payment obligations;
- (ix) any mortgages, indentures, guarantees, loans or credit agreements, security agreements or other Contracts relating to the borrowing of money or extension of credit or other Indebtedness, in each case in which the outstanding obligation, individually, is in excess of \$1,000,000 other than (A) accounts receivables and payables in the ordinary course of

- business; (B) loans to one or more members of the Company Group by one or more other members of the Company Group; and (C) extensions of credit to customers in the ordinary course of business;
- (x) any Lease or sublease as set forth in Section 3.14(b) of the Company Disclosure Letter;
 - (xi) any Contract providing for the payment, increase or vesting of any material benefits or compensation in connection with the Merger (other than Company Equity Plans);
 - (xii) any Contract providing for indemnification of any officer, director or employee by the Company Group, other than Contracts entered into on substantially the same form as the Company's standard forms previously made available to Parent;
 - (xiii) any Contract containing any support, maintenance or service obligation on the part of the Company Group that represents revenue in excess of \$1,000,000 on an annual basis, other than those Contracts that may not be cancelled without liability to the Company Group upon notice of 90 days or less;
 - (xiv) other than in respect of the ABL Loan Agreement, any Contract that prohibits the payment of dividends or distributions in respect of the capital stock of the Company Group, prohibits the pledging of the capital stock of the Company Group, prohibits the issuance of guarantees by the Company Group or grants any rights of first refusal or right of first offer or similar right or that limits or proposes to limit the ability of the Company Group or Affiliates to sell, transfer, pledge, or otherwise dispose of any assets or businesses in excess of \$250,000;
 - (xv) any Contract that contains a put, call or similar right pursuant to which the Company Group could be required to purchase or sell, as applicable, any equity interests of any Person or assets, in each case with a value in excess of \$250,000;
 - (xvi) any settlement, conciliation or similar agreement with any Governmental Authority, Person, or pursuant to which the Company Group has any continuing obligations, including any remaining payment obligations in excess of \$100,000 or any other material obligations following the date of this Agreement;
 - (xvii) any Contract that involves a joint venture entity, strategic alliance, limited liability company, partnership or other similar agreement or arrangement relating to the formation, creation, operation, management or control of any of the foregoing (excluding, for avoidance of doubt, reseller agreements and other commercial agreements that do not involve the formation of an entity with any third Person);
 - (xviii) any Contract (A) between the Company or any of its Subsidiaries, on the one hand, and any director or officer of the Company or any of its Subsidiaries or any Person beneficially owning five percent (5%) or more of the outstanding shares of Company Common Stock, on the other hand (other than any Employee Plan), or (B) that would be required to be disclosed pursuant to Item 404 of Regulation S-K;

- (xix) any Contract that obligates the Company or any of its Subsidiaries to make any future capital investment or capital expenditure outside the ordinary course of business in excess of \$250,000; and
- (xx) any Contract that is reasonably likely to result in payments by the Company Group of more than \$1,000,000 in the aggregate over the remaining term of such Contract.
- (ar) “**NASDAQ**” means The NASDAQ Global Market and any successor stock exchange or inter dealer quotation system operated by The Nasdaq Stock Market, LLC or any successor thereto.
- (as) “**Non-Recourse Company Party**” means the former, current and future direct and indirect equityholders, controlling persons, directors, officers, employees, Affiliates (other than Company), members, managers, general partners, limited partners, attorneys, agents, representatives and assignees of Company.
- (at) “**Non-Recourse Parent Party**” means the former, current and future direct and indirect equityholders, controlling persons, directors, officers, employees, Affiliates (other than Parent and Merger Sub), members, managers, general partners, limited partners, attorneys, agents, representatives and assignees of Parent and Merger Sub.
- (au) “**Parent Common Stock**” means the common stock, par value \$0.001 per share, of Parent.
- (av) “**Parent Group**” means Parent and its Subsidiaries.
- (aw) “**Parent Material Adverse Effect**” means any Effect that, individually or taken together with all other Effects, has had or would reasonably be expected to have a material adverse effect on the business, financial condition, or results of operations of the Parent Group, taken as a whole, or would reasonably be expected to, individually or in the aggregate, make impossible the ability of the Parent to satisfy the conditions precedent to the Merger or consummate the Merger and the other transactions contemplated by this Agreement prior to the Termination Date; *provided, however*, that none of the following (by itself or when aggregated) will be deemed to be or constitute a Parent Material Adverse Effect or will be taken into account when determining whether a Parent Material Adverse Effect has occurred or may, would or could occur (subject to the limitations set forth below):
 - (i) changes in general economic conditions in the United States or any other country or region in the world, or changes in conditions in the global economy generally;
 - (ii) changes in conditions in the financial markets or capital markets in the United States or any other country or region in the world, including (A) changes in exchange rates for the currencies of any country or (B) any suspension of trading in securities (whether equity, debt, derivative or hybrid securities) generally on any securities exchange or over-the-counter market operating in the United States or any other country or region in the world;
 - (iii) changes in conditions in the industries in which the Parent Group conducts business;
 - (iv) changes in regulatory, legislative or political conditions in the United States or any other country or region in the world;

- (v) any geopolitical conditions, cyberattack, outbreak of hostilities, acts of war, sabotage, terrorism or military actions (including any escalation or general worsening of any such hostilities, acts of war, sabotage, terrorism or military actions) in the United States or any other country or region in the world;
- (vi) earthquakes, hurricanes, tsunamis, tornadoes, floods, mudslides, wildfires or other natural disasters or weather conditions, epidemics, pandemics, disease outbreaks or other force majeure events or acts of God in the United States or any other country or region in the world;
- (vii) any Effect resulting from the negotiation, execution, delivery, announcement, pendency, performance, compliance with the terms of or consummation of this Agreement or the Transactions, including the impact thereof on the relationships, contractual or otherwise, of the Parent Group with employees, suppliers, customers, partners, vendors or any other third Person;
- (viii) any action taken or refrained from being taken by the Parent or its Subsidiaries, Affiliates or Representatives that is expressly required by the terms of this Agreement, or is consented to by the Company;
- (ix) any action taken or refrained from being taken, in each case by any member of the Parent Group to which the Company has expressly approved, consented to or requested in writing following the date of this Agreement;
- (x) changes or proposed changes in GAAP or other accounting standards or in any applicable laws or regulations (or the enforcement or interpretation of any of the foregoing);
- (xi) changes in the price or trading volume of the Parent Common Stock or changes or prospective changes to the Parent's credit rating (it being understood that any cause of such change may be deemed to constitute, in and of itself, a Parent Material Adverse Effect and may be taken into consideration when determining whether a Parent Material Adverse Effect has occurred to the extent not otherwise falling within any of the exceptions set forth in clauses (i) through (xiii) other than this clause (xi));
- (xii) any failure by the Parent Group to meet (A) any public estimates or expectations of the Parent's revenue, earnings, cash flows, EBITDA or other financial performance or results of operations for any period; or (B) any internal budgets, plans, or projections or internal forecasts of its revenues, earnings, cash flows, EBITDA or other financial performance or results of operations (it being understood that any cause of any such failure, and any Effect underlying or contributing to such failure, may be deemed to constitute, in and of itself, a Parent Material Adverse Effect and may be taken into consideration when determining whether a Parent Material Adverse Effect has occurred to the extent not otherwise falling within any of the exceptions set forth in clauses (i) through (xiii) other than this clause (xii)); and
- (xiii) any breach, violation or non-performance by Company of any of its obligations under this Agreement;

provided, further, that the exceptions set forth in clauses (i), (ii), (iii), (iv), (v), (vi) and (x) shall not apply to the extent that such Effect has had, or would reasonably be expected to have, a disproportionate adverse effect on the Parent Group, taken as a whole, relative to other companies operating in the industries in which the Parent Group operates.

(ax) “**Parent Preferred Stock**” means the 10% Series A Cumulative Perpetual Preferred Stock, par value \$0.001 per share, of Parent.

(ay) “**Parent Securities**” means any (i) Parent Capital Stock, (ii) outstanding shares of capital stock of, or other equity or voting interest in, Parent; (iii) outstanding securities of Parent convertible into or exchangeable or exercisable for shares of capital stock of, or other equity or voting interest (including voting debt) in, Parent; (iv) outstanding options, warrants or other rights or binding arrangements to acquire from Parent, or that obligate Parent to issue, any capital stock of, or other equity or voting interest in, or any securities convertible into or exchangeable for shares of capital stock of, or other equity or voting interest (including voting debt) in, Parent; (v) obligations of Parent to grant, extend or enter into any subscription, warrant, right, convertible, exchangeable or exercisable security, or other similar Contract relating to any capital stock of, or other equity or voting interest (including any voting debt) in, Parent; and (vi) outstanding shares of restricted stock, restricted stock units, stock appreciation rights, performance shares, contingent value rights, “phantom” stock or similar securities or rights that are derivative of, or provide economic benefits based, directly or indirectly, on the value or price of, any capital stock of, or other securities or ownership interests in, Parent.

(az) “**Parent Transaction Litigation**” means any Legal Proceeding commenced or threatened against Parent or any of its Subsidiaries or Affiliates or otherwise relating to, involving or affecting such Party or any of its Subsidiaries or Affiliates, in each case in connection with, arising from or otherwise relating to the Transactions, including any Legal Proceeding alleging or asserting any misrepresentation or omission in the Proxy Statement or any Other Required Filing, other than any Legal Proceedings among the Parties related to this Agreement.

(ba) “**Permitted Liens**” means any of the following: (i) liens for Taxes, assessments and governmental charges or levies either not yet delinquent or that are being contested in good faith and by appropriate proceedings; (ii) mechanics, carriers’, workmen’s, warehouseman’s, repairmen’s, materialmen’s or other liens or security interests that are not yet due or that are being contested in good faith and by appropriate proceedings and for which appropriate reserves have been established to the extent required by GAAP; (iii) leases, subleases and real estate licenses (other than capital or finance leases and leases underlying sale and leaseback transactions), the terms of which that do not, individually or in the aggregate, adversely affect in any material respect the current use or value of any real property subject thereto; (iv) liens imposed by applicable law (other than Tax law); (v) pledges or deposits to secure obligations pursuant to workers’ compensation laws or similar legislation or to secure public or statutory obligations; (vi) pledges and deposits to secure the performance of bids, trade contracts, leases, surety and appeal bonds, performance bonds and other obligations of a similar nature, in each case in the ordinary course of business; (vii) covenants, conditions, restrictions, easements, imperfections of title and other similar non-monetary matters affecting title to such Person’s owned or leased real property that do not materially impair the occupancy or use of such real property for the purposes for which it is currently used in connection with such Person’s businesses; (viii) any right of way or easement related to public roads and highways that do not materially impair the occupancy or use of such real property for the purposes for which it is currently used in connection with such Person’s businesses; (ix) zoning, building and other land use regulations imposed by Governmental Authorities having jurisdiction over such Person’s owned or leased real property that are not violated by the current use and operation of such real property; (x) liens (or other encumbrances of any type) securing (a) obligations under the ABL Loan Agreement, (b) other secured Indebtedness of the Company Group that is not contemplated to be paid off at Closing in accordance with the terms hereof or (c) other liabilities reflected on the balance sheet or in the notes to the consolidated financial statements of the Company included in the Company SEC Reports filed as of the date of this Agreement; (xi) licenses to or of Company Intellectual

Property; (xii) any other liens that do not secure a liquidated amount, that have been incurred or suffered in the ordinary course of business, and that would not, individually or in the aggregate, have a material effect on the Company Group, taken as a whole; or (xiii) statutory, common law or contractual liens of landlords or liens against the interests of a landlord or owner of any Leased Real Property unless caused by the Company Group.

(bb) “**Person**” means any individual, corporation (including any non-profit corporation), limited liability company, joint stock company, general partnership, limited partnership, limited liability partnership, joint venture, estate, trust, firm, Governmental Authority or other enterprise, association, organization or entity.

(bc) “**Registered Intellectual Property**” means all United States, international and foreign (i) issued Patents and Patent applications (including provisional applications); (ii) registered Marks and applications to register Marks (including intent-to-use applications, or other registrations or applications related to Marks); and (iii) registered Copyrights and applications for Copyright registration.

(bd) “**Sarbanes-Oxley Act**” means the Sarbanes-Oxley Act of 2002.

(be) “**SEC**” means the United States Securities and Exchange Commission or any successor thereto.

(bf) “**Securities Act**” means the Securities Act of 1933.

(bg) “**Subsidiary**” of any Person means (i) a corporation more than 50% of the combined voting power of the outstanding voting stock of which is owned, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person or by such Person and one or more other Subsidiaries of such Person; (ii) a partnership of which such Person or one or more other Subsidiaries of such Person or such Person and one or more other Subsidiaries thereof, directly or indirectly, is the general partner and has the power to direct the policies, management and affairs of such partnership; (iii) a limited liability company of which such Person or one or more other Subsidiaries of such Person or such Person and one or more other Subsidiaries of such Person, directly or indirectly, is the managing member and has the power to direct the policies, management and affairs of such company; or (iv) any other Person (other than a corporation, partnership or limited liability company) in which such Person or one or more other Subsidiaries of such Person or such Person and one or more other Subsidiaries of such Person, directly or indirectly, has at least a majority ownership and the power to direct the policies, management and affairs thereof.

(bh) “**Superior Proposal**” means any bona fide written Acquisition Proposal for an Acquisition Transaction on terms that the Company Board (or a committee thereof) has determined in good faith (after consultation with its financial advisor and outside legal counsel) is reasonably likely to be consummated in accordance with its terms, taking into account all legal, regulatory and financing aspects of the proposal (including certainty of closing) and the identity of the Person making the proposal and other aspects of the Acquisition Proposal that the Company Board (or a committee thereof) deems relevant, and if consummated, would be more favorable, from a financial point of view, to the Company Stockholders (in their capacity as such) than the Merger (taking into account any revisions to this Agreement made or proposed in writing by Parent prior to the time of such determination). For purposes of the reference to an “Acquisition Proposal” in this definition, all references to “25%” in the definition of “Acquisition Transaction” will be deemed to be references to “50%.”

(bi) “**Tax**” means any United States federal, state, local and non-United States taxes, assessments and similar governmental charges and impositions in the nature of taxes imposed by any Governmental Authority (including taxes based upon or measured by gross receipts, income, profits, sales, use and occupation and value added, ad valorem, transfer, franchise, withholding, payroll, employment, excise and property taxes, together with all interest, penalties and additions imposed by any Governmental Authority with respect to such amounts).

(bj) “**Transactions**” means the Merger and the other transactions contemplated by this Agreement, including the Debt Financing (or any Alternative Debt Financing), to the extent consummated as of the Effective Time, and the ABL Loan Agreement Amendment, to the extent consummated as of the Effective Time.

(bk) “**WARN**” means the Worker Adjustment and Retraining Notification Act of 1988.

1.2 *Additional Definitions.* The following capitalized terms have the respective meanings given to them in the respective Sections of this Agreement set forth opposite each of the capitalized terms below:

Term	Section Reference
Advisor	3.3(b)
Agreement	Preamble
Alternative Acquisition Agreement	5.3(b)
Alternative Debt Financing	6.19
Alternative Debt Financing Agreements	6.18(b)(i)
Announcement	6.11
Award Company Share	2.7(a)(ii)
Bylaws	3.1
Capitalization Date	3.7(a)
Cash Consideration	2.7(a)(ii)(A)
Cash Electing Company Share	2.7(a)(ii)(A)
Certificate of Merger	2.2
Certificates	2.10(c)
Charter	2.5(a)
Chosen Courts	9.10(a)
Closing	2.3
Closing Date	2.3
Closing Year	6.8(c)
Collective Bargaining Agreement	3.19(a)
Company	Preamble
Company 401(k) Plan	6.8(f)
Company Board Recommendation	3.3(a)
Company Board Recommendation Change	5.3(d)(i)
Company Disclosure Letter	Article III
Company Liability Limitation	8.3(g)(iii)
Company Related Parties	8.3(f)(iii)
Company SEC Reports	3.9
Company Securities	3.7(c)
Company Stockholder Meeting	6.3(a)
Company Termination Fee	8.3(b)(i)
Confidentiality Agreement	9.4
Consent	3.6
DGCL	Recitals
DTC	2.10(d)
Effective Time	2.2

Term	Section Reference
Electing Company Shares	2.7(a)(ii)(B)
Election Date	2.8(c)
Electronic Delivery	9.13
Employee Plans	3.18(a)
Exchange Fund	2.10(b)
FCPA	3.25(b)
Form of Election	2.8(a)
Form S-4	6.2(a)
Go-Shop Period	5.3(a)
Indemnified Persons	6.7(a)
Intervening Event	5.3(e)(i)
IP Contracts	3.16(f)
Lease	3.14(b)
Leased Real Property	3.14(b)
Maximum Cash Amount	2.7(a)(iv)
Merger	Recitals
Merger Consideration	2.7(a)(ii)(B)
Merger Sub	Preamble
New Plan	6.8(d)
No-Shop Period Start Date	5.3(a)
Non-U.S. Plan	3.18(f)
Notice Period	5.3(e)(ii)(3)
Old Plan	6.8(d)
Other Required Company Filing	6.2(b)
Other Required Filing	6.2(h)
Other Required Parent Filings	6.2(h)
Owned Company Shares	2.7(a)(iii)
Parent	Preamble
Parent 401(k) Plan	6.8(f)
Parent Liability Limitation	8.3(f)(i)
Parent Preferred Stock	2.7(a)(ii)(B)
Parent Recent SEC Reports	Article IV
Parent Related Parties	8.3(f)(i)
Parent Termination Fee	8.3(c)
Party	Preamble
Payment Agent	2.10(a)
Permits	3.20(a)
Preferred Stock Consideration	2.7(a)(ii)(B)
Preferred Stock Electing Company Share	2.7(a)(ii)(B)
Proxy Statement	6.2(a)
Recent SEC Reports	Article III
Representatives	5.3(a)
Requisite Stockholder Approval	3.4
Surviving Corporation	2.1

Term	Section Reference
Tax Returns	3.17(a)
Termination Date	8.1(c)
Trade Control Laws	3.25(a)(i)
Voting and Support Agreements	Recitals
Uncertificated Shares	2.10(c)

1.3 *Certain Interpretations.*

(a) When a reference is made in this Agreement to an Article or a Section, such reference is to an Article or a Section of this Agreement unless otherwise indicated. When a reference is made in this Agreement to a Schedule or Exhibit, such reference is to a Schedule or Exhibit to this Agreement, as applicable, unless otherwise indicated.

(b) When used herein, (i) the words “hereof,” “herein” and “herewith” and words of similar import will, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement; and (ii) the words “include,” “includes” and “including” will be deemed in each case to be followed by the words “without limitation.”

(c) Unless the context otherwise requires, “neither,” “nor,” “any,” “either” and “or” are not exclusive.

(d) The word “extent” in the phrase “to the extent” means the degree to which a subject or other thing extends, and does not simply mean “if.”

(e) When used in this Agreement, references to “\$” or “Dollars” are references to U.S. dollars.

(f) The meaning assigned to each capitalized term defined and used in this Agreement is equally applicable to both the singular and the plural forms of such term, and words denoting any gender include all genders. Where a word or phrase is defined in this Agreement, each of its other grammatical forms has a corresponding meaning.

(g) When reference is made to any party to this Agreement or any other agreement or document, such reference includes such party’s successors and permitted assigns. References to any Person include the successors and permitted assigns of that Person.

(h) Unless the context otherwise requires, all references in this Agreement to the Subsidiaries of a Person will be deemed to include all direct and indirect Subsidiaries of such Person.

(i) When used in this Agreement, references to “ordinary course” or “ordinary course of business” will be construed to mean “ordinary course of business, consistent with past practices.”

(j) A reference to any specific legislation or to any provision of any legislation includes any amendment to, and any modification, re-enactment or successor thereof, any legislative provision substituted therefor and all rules, regulations and statutory instruments issued thereunder or pursuant thereto, except that, for purposes of any representations and warranties in this Agreement that are made as of a specific date, references to any specific legislation will be deemed to refer to such legislation or provision (and all rules, regulations and statutory instruments issued thereunder or pursuant thereto) as of such date. References to any agreement or Contract are to that agreement or Contract as amended, modified or supplemented from time to time, unless otherwise indicated.

(k) All accounting terms used herein will be interpreted, and all accounting determinations hereunder will be made, in accordance with GAAP.

(l) The table of contents and headings set forth in this Agreement are for convenience of reference purposes only and will not affect or be deemed to affect in any way the meaning or interpretation of this Agreement or any term or provision hereof.

(m) The measure of a period of one month or year for purposes of this Agreement will be the date of the following month or year corresponding to the starting date. If no corresponding date exists, then the end date of such period being measured will be the next actual date of the following month or year (for example, one month following May 18 is June 18 and one month following May 31 is July 1).

(n) The Parties agree that they have been represented by legal counsel during the negotiation and execution of this Agreement and therefore waive the application of any law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the Party drafting such agreement or document.

(o) No summary of this Agreement or any Exhibit or Schedule delivered herewith prepared by or on behalf of any Party will affect the meaning or interpretation of this Agreement or such Exhibit or Schedule.

(p) The information contained in this Agreement and in the Company Disclosure Letter is disclosed solely for purposes of this Agreement, and no information contained herein or therein will be deemed to be an admission by any Party to any third Person of any matter whatsoever, including (i) any violation of law or breach of contract; or (ii) that such information is material or that such information is required to be referred to or disclosed under this Agreement.

(q) The representations and warranties in this Agreement are the product of negotiations among the Parties and are for the sole benefit of the Parties. Any inaccuracies in such representations and warranties are subject to waiver by the Parties in accordance with Section 8.5 without notice or liability to any other Person. In some instances, the representations and warranties in this Agreement may represent an allocation among the Parties of risks associated with particular matters regardless of the knowledge of any of the Parties. Consequently, Persons other than the Parties may not rely on the representations and warranties in this Agreement as characterizations of actual facts or circumstances as of the date of this Agreement or as of any other date.

(r) Documents or other information or materials will be deemed to have been “made available” by the Company if such documents, information or materials (i) have been posted to a virtual data room managed by the Company at <https://app.global.datasite.com/en/platform/diligence/6a184cbb7b968dcd3ad4d20e/documents/content/index/6a45dc8150c1bee13757ffa5> at least 24 hours prior to the execution and delivery of this Agreement and Parent has received written notification of the document delivery within the aforementioned timeframe or (ii) have been sent via email to, and acknowledged by, Parent or its counsel, prior to the execution and delivery of this Agreement.

Article II THE MERGER

2.1 *The Merger.* Upon the terms and subject to the conditions set forth in this Agreement and the applicable provisions of the DGCL, at the Effective Time, (a) Merger Sub will be merged with and into the Company; (b) the separate corporate existence of Merger Sub will thereupon cease; and (c) the Company will continue as the surviving corporation of the Merger and a wholly owned Subsidiary of Parent. The Company, as the surviving corporation of the Merger, is sometimes referred to herein as the “**Surviving Corporation**.”

2.2 *The Effective Time.* Upon the terms and subject to the conditions set forth in this Agreement, on the Closing Date, Parent, Merger Sub and the Company will cause the Merger to be consummated pursuant to the DGCL by filing a certificate of merger in customary form and substance (the “**Certificate of Merger**”) with the Secretary of State of the State of Delaware in accordance with the applicable provisions of the DGCL (the time of such filing with the Secretary of State of the State of Delaware, or such later time as may be agreed in writing by Parent, Merger Sub and the Company and specified in the Certificate of Merger, being referred to herein as the “**Effective Time**”).

2.3 *The Closing.* The consummation of the Merger (the “**Closing**”) shall take place by the remote exchange of electronic copies of documents and signatures (including by Electronic Delivery) on (a) a date to be agreed upon by Parent, Merger Sub and the Company that is no later than the second Business Day after the satisfaction or waiver (to the extent permitted hereunder) of the last to be satisfied or waived of the conditions set forth in Article VII (other than those conditions that by their terms are to be satisfied at the Closing, but subject to the satisfaction or waiver (to the extent permitted hereunder) of such conditions); or (b) such other time, location and date as Parent, Merger Sub and the Company mutually agree in writing. The date on which the Closing actually occurs is referred to as the “**Closing Date**.”

2.4 *Effect of the Merger.* At the Effective Time, the effect of the Merger will be as provided in this Agreement and the applicable provisions of the DGCL. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time all (a) of the property, rights, privileges, powers and franchises of the Company and Merger Sub will vest in the Surviving Corporation; and (b) debts, liabilities and duties of the Company and Merger Sub will become the debts, liabilities and duties of the Surviving Corporation.

2.5 *Certificate of Incorporation and Bylaws.*

(a) *Certificate of Incorporation.* At the Effective Time, the Amended and Restated Certificate of Incorporation of the Company, as amended (the “**Charter**”), will be amended and restated in its entirety to read substantially identically to the certificate of incorporation of Merger Sub as in effect immediately prior to the Effective Time (except that all references in the certificate of incorporation of Merger Sub (i) to its name, date of incorporation, registered office and registered agent shall instead refer to the name, date of incorporation, registered office and registered agent, respectively, of the Company as provided in the Charter immediately prior to the Effective Time and (ii) naming the incorporator(s), the initial board of directors, or original subscribers for shares of Merger Sub shall be omitted) and such amended and restated certificate of incorporation will become the certificate of incorporation of the Surviving Corporation until, subject to the provisions of Section 6.7(a), thereafter amended in accordance with the applicable provisions of the DGCL and such certificate of incorporation.

(b) *Bylaws.* The Parties shall take all necessary action such that the bylaws of Merger Sub as in effect immediately prior to the Effective Time will become the bylaws of the Surviving Corporation until, subject to the provisions of Section 6.7(a), thereafter amended in accordance with the applicable provisions of the DGCL, the certificate of incorporation of the Surviving Corporation and such bylaws.

2.6 *Directors and Officers.*

(a) *Directors.* The Parties shall take all necessary action such that the directors of Merger Sub as of immediately prior to the Effective Time shall be, from and after the Effective Time, the directors of the Surviving Corporation, each to hold office in accordance with the applicable provisions of the DGCL and the certificate of incorporation and bylaws of the Surviving Corporation until their respective successors are duly elected or appointed and qualified.

(b) *Officers.* The officers of Merger Sub immediately prior to the Effective Time shall be, from and after the Effective Time, the officers of the Surviving Corporation, each to hold office in accordance with the applicable provisions of the DGCL and the certificate of incorporation and bylaws of the Surviving Corporation until their respective successors are duly appointed.

2.7 *Effect on Capital Stock.*

(a) *Capital Stock.* Upon the terms and subject to the conditions set forth in this Agreement, at the Effective Time, by virtue of the Merger and without any action on the part of Parent, Merger Sub, the Company or the holders of any of the following securities, the following will occur:

- (i) each share of Merger Sub common stock, par value \$0.01 per share, that is outstanding as of immediately prior to the Effective Time will be converted into one validly issued, fully paid and nonassessable share of common stock of the Surviving Corporation, and thereupon each certificate representing ownership of such shares of common stock of Merger Sub will thereafter represent ownership of shares of common stock of the Surviving Corporation;
- (ii) each share of Company Common Stock, and each share of Company Common Stock underlying a Company Equity Award that is entitled to receive consideration pursuant to Section 2.9 (an “**Award Company Share**”), that is outstanding as of immediately prior to the Effective Time (other than Owned Company Shares) shall, subject to adjustments pursuant to Sections 2.7(a)(iv) and 2.7(b), be converted into the right to receive the following consideration, without interest:
 - (A) each share of Company Common Stock and each Award Company Share, with respect to which an election to receive cash has been properly made and not revoked or lost pursuant to Section 2.8 (each, a “**Cash Electing Company Share**”), shall be converted into the right to receive cash in an amount equal to \$5.00 per share, without interest (the “**Cash Consideration**”);
 - (B) each share of Company Common Stock and each Award Company Share, with respect to which an election to receive preferred stock has been properly made and not revoked or lost pursuant to Section 2.8 (each, a “**Preferred Stock Electing Company Share**” and, together with the Cash Electing Company Shares, the “**Electing Company Shares**”), shall be converted into the right to receive 0.50 shares of validly issued, fully paid and nonassessable Parent Preferred Stock, subject to adjustment (the “**Preferred Stock Consideration**,” and together with the Cash Consideration, and any combination thereof, and any cash in lieu of fractional shares of Parent Preferred Stock payable pursuant to this Article II, collectively, the “**Merger Consideration**”); and
 - (C) each share of Company Common Stock and each Company Award Share, in each case, other than Cash Electing Company Shares or Preferred Stock Electing Company Shares for which a stock election has been properly made and not revoked or lost pursuant to Section 2.8 (each, a “**Non-Electing Company Share**”) shall be converted into the right to receive the Cash Consideration, the Preferred Stock Consideration or a combination of both.
- (iii) each share of Company Common Stock that is (A) held by the Company as treasury stock; (B) owned by Parent or Merger Sub; or (C) owned by any direct or indirect wholly owned Subsidiary of Parent or Merger Sub as of immediately prior to the Effective Time (collectively, the “**Owned**

Company Shares”) will be cancelled and extinguished without any conversion thereof or consideration paid therefor.

- (iv) *Proration.* Notwithstanding anything to the contrary in this Agreement, the aggregate amount of cash payable in respect of shares of Company Common Stock and Award Company Shares pursuant to Sections 2.7(a)(ii) and 2.9, together with any cash payable in lieu of fractional shares of Parent Preferred Stock, shall not exceed \$19,200,000 (the “**Maximum Cash Amount**”). The allocation of the Cash Consideration and the Preferred Stock Consideration among Cash Electing Company Shares and Preferred Stock Electing Company Shares and Non-Electing Company Shares shall be determined as follows:

(A) *Undersubscription for Cash.* If the aggregate amount of cash that would be paid in respect of all Cash Electing Company Shares is less than the Maximum Cash Amount, then:

1. each Cash Electing Company Share shall be converted into the right to receive the Cash Consideration;
2. each Preferred Stock Electing Company Share shall be converted into the right to receive the Preferred Stock Consideration; and
3. each Non-Electing Company Share shall be converted into the right to receive, at Parent’s election, the Cash Consideration, the Preferred Stock Consideration or a combination of both; provided that the aggregate cash paid pursuant to Section 2.7(a)(ii) shall not exceed the Maximum Cash Amount.

(B) *Oversubscription for Cash.* If the aggregate amount of cash that would be paid in respect of all Cash Electing Company Shares exceeds the Maximum Cash Amount, then:

1. each Preferred Stock Electing Company Share and each Non-Electing Company Share shall be converted into the right to receive the Preferred Stock Consideration; and
2. each Cash Electing Company Share shall be converted into the right to receive (x) a prorated portion of the Cash Consideration, based on a fraction, the numerator of which is the Maximum Cash Amount and the denominator of which is the aggregate amount of cash that would be paid in respect of all Cash Electing Company Shares if all such Cash Electing Company Shares received the Cash Consideration in full, and (y) the Preferred Stock Consideration in respect of the remaining portion of such Cash Electing Company Share not converted into the right to receive cash pursuant to clause (x).

(C) *No Fractional Shares.* No fractional shares of Parent Preferred Stock shall be issued in the Merger. In lieu of any fractional share of Parent Preferred Stock that otherwise would be issuable pursuant to this Section 2.7(a)(iv), the holder thereof shall be entitled to receive an amount in cash, without interest, equal to such fractional share multiplied by \$10.00.

(v) *Parent Preferred Stock.* Prior to the Effective Time, Parent shall authorize and reserve for issuance a number of shares of Parent Preferred Stock sufficient to pay the Preferred Stock Consideration. The Parent Preferred Stock issued in the Merger shall have the rights, preferences, privileges and restrictions set forth in the Certificate of Designations, Rights and Preferences of 10% Series A Cumulative Perpetual Preferred Stock filed as Exhibit 3.7 to Parent's Annual Report on Form 10-K for the fiscal year ended December 31, 2025.

(b) *Adjustment to the Merger Consideration.* The Merger Consideration will be adjusted appropriately to reflect the effect of any stock split, reverse stock split, stock dividend (including any dividend or other distribution of securities convertible into Company Common Stock), reorganization, recapitalization, reclassification, combination, exchange of shares or other similar change with respect to the Company Common Stock occurring on or after the date of this Agreement and prior to the Effective Time.

2.8 Election Procedures.

(a) *Election Form.* Parent shall prepare, and the Company shall have a reasonable opportunity to review and comment on, a form of election in form and substance reasonably acceptable to the Company (the "**Form of Election**"), pursuant to which each record holder of shares of Company Common Stock and each holder of Award Company Shares may elect to receive the Cash Consideration, the Preferred Stock Consideration or a combination of both with respect to such holder's shares of Company Common Stock or Award Company Shares, as applicable, subject in each case to the proration procedures set forth in Section 2.7(a)(iv). The Form of Election shall be filed as an exhibit to, or otherwise included with or incorporated into, the Form S-4, and shall specify that delivery shall be effected, and risk of loss and title to any Certificates shall pass, only upon proper delivery of the Form of Election and any Certificates to the Payment Agent.

(b) *Mailing of Form of Election.* Parent and the Company shall use reasonable best efforts to cause the Form of Election to be mailed to each Person who is a record holder of shares of Company Common Stock or of Award Company Shares as of the record date for the Company Stockholder Meeting, either together with the Proxy Statement or under separate cover, as Parent and the Company may reasonably determine in consultation with the Payment Agent. Parent and the Company shall use reasonable best efforts to make the Form of Election available to all Persons who become record holders of shares of Company Common Stock or of Award Company Shares during the period between such record date and the Election Date.

(c) *Election Date.* Any election shall have been properly made only if the Payment Agent shall have received at its designated office, by 5:00 p.m., New York City time, on (i) the date of the Company Stockholder Meeting or (ii) if the Closing Date is more than four Business Days following the Company Stockholder Meeting, the date that is two Business Days prior to the Closing Date, or, in each case, such other date as Parent and the Company may mutually agree and publicly announce (the "**Election Date**"), a Form of Election properly completed and signed and accompanied by (A) Certificates representing the shares of Company Common Stock to which such Form of Election relates, duly endorsed in blank or otherwise in form acceptable for transfer on the books of the Company, or an appropriate guarantee of delivery of such Certificates as set forth in the Form of Election, or (B) in the case of Uncertificated Shares or

Award Company Shares, any additional documents or instructions required by the procedures set forth in the Form of Election.

(d) *Public Announcement of Election Date.* Parent and the Company shall publicly announce the anticipated Election Date at least five Business Days prior to the anticipated Closing Date. If the Closing Date is delayed to a subsequent date, the Election Date shall be similarly delayed to a subsequent date, and Parent and the Company shall promptly announce any such delay and, when determined, the rescheduled Election Date.

(e) *Revocation; Loss of Election.* Any election may be revoked with respect to all or a portion of the shares of Company Common Stock or Award Company Shares subject thereto by the holder who submitted the applicable Form of Election by written notice received by the Payment Agent prior to 5:00 p.m., New York City time, on the Election Date. Any election shall be deemed to have been lost or not properly made if the Payment Agent determines that the applicable Form of Election was not properly completed, signed or timely received in accordance with this Section 2.8. Any shares of Company Common Stock or Award Company Shares with respect to which an election has been revoked, lost or not properly made shall be deemed Non-Electing Company Shares. All elections shall automatically be revoked if this Agreement is terminated in accordance with Article VIII.

(f) *Determinations.* The Payment Agent shall make all determinations as to whether elections have been properly made, revoked or lost and all computations as to the proration contemplated by Section 2.7(a)(iv), and, absent manifest error, such determinations and computations shall be conclusive and binding.

2.9 *Company Equity Awards.*

(a) *Company Options.* As of the Effective Time, each Company Option that is set forth on Section 2.9(a) of the Company Disclosure Letter and that is outstanding and unexercised immediately prior to the Effective Time shall be cancelled, treated as an Award Company Share, and converted automatically into the right to receive Cash Consideration, Preferred Stock Consideration, or a combination of the two (as elected by the holder thereof, in the same manner and subject to the same proration procedures and Maximum Cash Amount cap set forth in Section 2.7(a)(iv)) in an amount equal to the product of (i) the excess, if any, of the Merger Consideration over the per share exercise price of such Company Option, multiplied by (ii) the number of shares of Company Common Stock covered by such Company Option. For the avoidance of doubt, any Company Option that is not set forth on Section 2.9(a) of the Company Disclosure Letter shall be cancelled at the Effective Time without payment or consideration.

(b) *Company RSUs.* As of the Effective Time, each Company RSU that is outstanding immediately prior to the Effective Time, as disclosed in Section 2.9(b) of the Company Disclosure Letter, shall be cancelled, treated as an Award Company Share, and converted into a right to receive a payment of Cash Consideration, Preferred Stock Consideration, or a combination of both (as elected by the holder thereof, in the same manner and subject to the same proration procedures and Maximum Cash Amount cap set forth in Section 2.7(a)(iv)) in an amount equal to the Merger Consideration for each share of Company Common Stock covered by such Company RSU.

(c) *Company PSUs.* As of the Effective Time, each Company PSU shall be cancelled without payment or consideration.

(d) Parent shall cause the Surviving Corporation to, at all times from and after the Effective Time, maintain sufficient cash and shares of Parent Preferred Stock to satisfy its obligations to holders of Company Equity Awards pursuant to this Section 2.9.

(e) As promptly as practicable following the Effective Time, Parent shall cause the Surviving Corporation to pay through its payroll system (whether in Cash Consideration, Preferred Stock Consideration, or a combination of both, as elected by the holder thereof, in the same manner and subject to the same proration procedures and Maximum Cash Amount cap set

forth in Section 2.7(a)(iv)) to each holder of a Company Equity Award, the amount payable to such holder pursuant to this Section 2.9 in respect of such Company Equity Award; *provided that*, to the extent that a Company Equity Award constitutes nonqualified deferred compensation subject to Section 409A of the Code, such amount shall be paid to the holder of such Company Equity Award at the earliest time permitted under the terms of such Company Equity Award that will not result in a tax or penalty under Section 409A of the Code.

2.10 *Exchange of Certificates.*

(a) *Payment Agent.* Not less than three Business Days prior to the Closing, Parent will (i) select a bank or trust company reasonably acceptable to the Company to act as the payment agent for the Company Stockholders and holders of Award Company Shares to receive the Cash Consideration, the Preferred Stock Consideration and any cash in lieu of fractional shares of Parent Preferred Stock to which they have become entitled pursuant to Sections 2.7 and 2.9 (the “**Payment Agent**”); and (ii) enter into a payment agent agreement, in customary form and substance reasonably acceptable to the Company, with such Payment Agent.

(b) *Exchange Fund.* At or promptly following the Effective Time on the Closing Date, Parent will deposit, or will cause to be deposited (including, but only to the extent the ABL Loan Agreement Amendment is effective at such time, with proceeds of borrowings under the ABL Loan Agreement by the Company or any of its Subsidiaries in the amount of the Maximum Debt Financing Amount), with the Payment Agent, for the benefit of the holders of Certificates, Uncertificated Shares and Award Company Shares, (i) by wire transfer of immediately available funds, an amount of cash sufficient to pay the aggregate Cash Consideration and any cash in lieu of fractional shares of Parent Preferred Stock payable to such holders pursuant to Section 2.7, and (ii) evidence of book-entry shares representing the aggregate number of shares of Parent Preferred Stock issuable to such holders pursuant to Sections 2.7 and 2.9 (such cash, shares of Parent Preferred Stock and any proceeds thereon, the “**Exchange Fund**”). Until disbursed in accordance with the terms and conditions of this Agreement, the cash portion of the Exchange Fund may be invested by the Payment Agent, as directed by Parent or the Surviving Corporation, in (i) obligations of or fully guaranteed by the United States or any agency or instrumentality thereof and backed by the full faith and credit of the United States with a maturity of no more than 30 days; (ii) commercial paper obligations rated A-1 or P-1 or better by Moody’s Investors Service, Inc. or Standard & Poor’s Corporation, respectively; or (iii) certificates of deposit, bank repurchase agreements or banker’s acceptances of commercial banks with capital exceeding \$1,000,000,000 (based on the most recent financial statements of such bank that are then publicly available) and, in any case of the foregoing clauses (i) through (iii), no such instrument shall have a maturity exceeding three months. To the extent that (A) there are any losses with respect to any investments of the cash portion of the Exchange Fund; (B) the Exchange Fund diminishes for any reason below the level required for the Payment Agent to promptly pay and deliver the Merger Consideration contemplated by Sections 2.7 and 2.9; or (C) all or any portion of the Exchange Fund is unavailable for Parent (or the Payment Agent on behalf of Parent) to promptly pay and deliver the Merger Consideration contemplated by Sections 2.7 and 2.9 for any reason, Parent will, or will cause the Surviving Corporation to, promptly replace or restore the amount of cash in the Exchange Fund so as to ensure that the Exchange Fund is at all times fully available for distribution and maintained at a level sufficient for the Payment Agent to make the payments and deliveries contemplated by Sections 2.7 and 2.9. Any income from investment of the cash portion of the Exchange Fund will be payable to Parent or the Surviving Corporation, as Parent directs.

(c) *Payment Procedures.* Promptly following the Effective Time, and in any event not more than five Business Days thereafter, Parent and the Surviving Corporation will cause the Payment Agent to mail to each holder of record (as of immediately prior to the Effective Time) of (i) a certificate or certificates that immediately prior to the Effective Time represented outstanding shares of Company Common Stock (other than Owned Company Shares) (the “**Certificates**”); and (ii) uncertificated shares of Company Common Stock that represented outstanding shares of Company Common Stock (other than Owned Company Shares) (the “**Uncertificated Shares**”) (A) a letter of transmittal in customary form and reasonably acceptable to the Company (which will specify that delivery will be effected, and risk of loss and title to the Certificates will pass, only upon delivery of the Certificates to the Payment Agent); and (B)

instructions for use in effecting the surrender of the Certificates and Uncertificated Shares in exchange for the Merger Consideration payable in respect thereof pursuant to Section 2.7. Upon surrender of Certificates for cancellation to the Payment Agent, together with such letter of transmittal, duly completed and validly executed in accordance with the instructions thereto, the holders of such Certificates will be entitled to receive, and the Payment Agent shall promptly pay and deliver in exchange therefor, the Cash Consideration, the Preferred Stock Consideration, any combination thereof and any cash in lieu of fractional shares of Parent Preferred Stock, in each case as such holder is entitled to receive pursuant to Section 2.7, and the Certificates so surrendered will forthwith be cancelled. Upon receipt of an "agent's message" by the Payment Agent (or such other evidence, if any, of transfer as the Payment Agent may reasonably request) in the case of a book-entry transfer of Uncertificated Shares, the holders of such Uncertificated Shares will be entitled to receive, and the Payment Agent shall promptly pay and deliver, in exchange therefor, the Cash Consideration, the Preferred Stock Consideration, any combination thereof and any cash in lieu of fractional shares of Parent Preferred Stock, in each case as such holder is entitled to receive pursuant to Section 2.7, and the transferred Uncertificated Shares so surrendered will be cancelled. The Payment Agent will accept such Certificates and transferred Uncertificated Shares upon compliance with such reasonable terms and conditions as the Payment Agent may impose to cause an orderly exchange thereof in accordance with normal exchange practices. No interest will be paid or accrued for the benefit of holders of the Certificates and Uncertificated Shares on any cash payable as Merger Consideration pursuant to Section 2.7. Until so surrendered, outstanding Certificates and Uncertificated Shares will be deemed from and after the Effective Time to evidence only the right to receive the Merger Consideration payable in respect thereof pursuant to Section 2.7. Notwithstanding anything to the contrary in this Agreement, no holder of Uncertificated Shares will be required to provide a Certificate or an executed letter of transmittal to the Payment Agent in order to receive the Merger Consideration that such holder is entitled to receive pursuant to Section 2.7.

(d) *DTC Payment.* Prior to the Effective Time, Parent and the Company will cooperate to establish procedures with the Payment Agent and the Depository Trust Company ("DTC") with the objective that, as promptly as practicable following the Effective Time and the final determination of the proration calculations pursuant to Section 2.7(a)(iv), the Payment Agent will transmit to DTC or its nominees the Cash Consideration, the Preferred Stock Consideration, any combination thereof and any cash in lieu of fractional shares of Parent Preferred Stock, in each case as DTC or its nominees are entitled to receive pursuant to Section 2.7 in respect of the shares of Company Common Stock, other than Owned Company Shares held of record by DTC or such nominees immediately prior to the Effective Time.

(e) *Transfers of Ownership.* If a transfer of ownership of shares of Company Common Stock is not registered in the stock transfer books or ledger of the Company, or if the Merger Consideration is to be paid or delivered in a name other than that in which the Certificates or Uncertificated Shares surrendered or transferred in exchange therefor are registered in the stock transfer books or ledger of the Company, the Merger Consideration may be paid or delivered to a Person other than the Person in whose name the Certificate or Uncertificated Share so surrendered or transferred is registered in the stock transfer books or ledger of the Company only if, in the case of shares of Company Common Stock represented by a Certificate, such Certificate is properly endorsed and otherwise in proper form for surrender and transfer or, in the case of Uncertificated Shares, a proper transfer instruction is presented, and, in the case of shares of Company Common Stock represented by Certificates or Uncertificated Shares, the Person requesting such payment has paid to Parent (or any agent designated by Parent) any transfer Taxes required by reason of the payment or delivery of the Merger Consideration to a Person other than the registered holder of such shares, or established to the reasonable satisfaction of Parent (or any agent designated by Parent) that such transfer Taxes have been paid or are otherwise not payable.

(f) *No Liability.* Notwithstanding anything to the contrary set forth in this Agreement, none of the Payment Agent, Parent, the Surviving Corporation or any other Party will be liable to a holder of shares of Company Common Stock for any amount properly paid to a public official pursuant to any applicable abandoned property, escheat or similar law.

(g) *Distribution of Exchange Fund to Parent.* Any portion of the Exchange Fund that remains undistributed to the holders of the Certificates or Uncertificated Shares on the date that is one year after the Effective Time will be delivered to Parent upon demand, and any holders of shares of Company Common Stock that were issued and outstanding immediately prior to the Effective Time who have not theretofore surrendered or transferred their Certificates (or otherwise complied with [Section 2.12](#) in the case of lost, stolen or destroyed Certificates) or Uncertificated Shares representing such shares of Company Common Stock for exchange pursuant to this [Section 2.10](#) will thereafter look for payment or delivery of the Merger Consideration payable in respect of such shares of Company Common Stock solely to Parent (which shall remain responsible for payment or delivery of the Merger Consideration in respect thereof, subject to abandoned property, escheat or similar laws), solely as general creditors thereof, for any claim to the Merger Consideration to which such holders may be entitled pursuant to [Section 2.7](#). Any amounts or shares remaining unclaimed by such holders two years after the Effective Time, or at such earlier time as is immediately prior to the time at which such amounts would otherwise escheat to, or become property of, any Governmental Authority, will, to the extent permitted by applicable law, become the property of Parent or the Surviving Corporation, as Parent directs, free and clear of any claims or interest of any such holders (and their successors, assigns or personal representatives) previously entitled thereto.

2.11 *No Further Ownership Rights in Company Common Stock.* From and after the Effective Time, (a) all shares of Company Common Stock will no longer be outstanding and will automatically be converted or cancelled and retired, as applicable in accordance with [Section 2.7](#), and cease to exist; and (b) holders of each Certificate or Uncertificated Share theretofore representing any shares of Company Common Stock will cease to have any rights with respect thereto, except the right to receive the Merger Consideration payable therefor in accordance with [Section 2.7](#). The Merger Consideration paid in accordance with the terms of this [Article II](#) will be deemed to have been paid in full satisfaction of all rights pertaining to such shares of Company Common Stock. From and after the Effective Time, there will be no further registration of transfers on the records of the Surviving Corporation of shares of Company Common Stock that were issued and outstanding immediately prior to the Effective Time, other than transfers to reflect, in accordance with customary settlement procedures, trades effected prior to the Effective Time. If, after the Effective Time, Certificates or Uncertificated Shares are presented to the Surviving Corporation for any reason, they will (subject to compliance with the exchange procedures of [Section 2.10\(c\)](#)) be cancelled and exchanged as provided in this [Article II](#).

2.12 *Lost, Stolen or Destroyed Certificates.* In the event that any Certificates have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed, the Payment Agent will pay and deliver to such Person the Merger Consideration payable in respect of the shares of Company Common Stock represented by such Certificates pursuant to [Section 2.7](#). Parent or the Payment Agent may, in its discretion and as a condition precedent to the payment or delivery of such Merger Consideration, require the Person claiming such Certificates to be lost, stolen or destroyed to deliver a bond in customary form in such amount as it may reasonably determine as indemnity against any claim that may be made against Parent, the Surviving Corporation or the Payment Agent with respect to the Certificates alleged to have been lost, stolen or destroyed.

2.13 *Withholding Rights.* Each of the Payment Agent, Parent, Merger Sub, the Company and the Surviving Corporation will be entitled to deduct and withhold from any amounts otherwise payable or deliverable pursuant to this Agreement to any holder or former holder of shares of Company Common Stock or Company Equity Awards such amounts as are required to be deducted or withheld therefrom pursuant to any Tax laws. To the extent that such amounts are so deducted or withheld and paid over to the appropriate Governmental Authority, such amounts will be treated for all purposes of this Agreement as having been paid or delivered to the Person to whom such amounts would otherwise have been paid or delivered. To the extent withholding is required with respect to any Preferred Stock Consideration, Parent, the Surviving Corporation or the Payment Agent, as applicable, shall be entitled to satisfy such withholding obligation by deducting from any cash otherwise payable to such Person or withholding a portion of the Parent Preferred Stock otherwise deliverable to such Person. Parent shall notify such Person promptly, and in any event no later than ten Business Days prior to the Closing Date, in writing if Parent determines that any withholding or deduction is required under any provision of Tax law with respect to any portion of any such payment or delivery (and such notice shall describe the basis for such deduction or withholding), and Parent shall reasonably cooperate with such Person to eliminate or reduce any such

required deduction or withholding (including through the provision by such Person of forms or certificates).

2.14 *Dividends or Distributions.* No dividends or other distributions with respect to capital stock of the Surviving Corporation with a record date on or after the Effective Time will be paid to the holder of any unsurrendered Certificates or Uncertificated Shares.

2.15 *Necessary Further Actions.* If, at any time after the Effective Time, any further action is necessary or desirable to carry out the purposes of this Agreement and to vest the Surviving Corporation with full right, title and possession to all assets, property, rights, privileges, powers and franchises of the Company and Merger Sub, then Parent shall cause the Surviving Corporation and its directors and officers to take all such lawful and necessary action.

2.16 *Intended Tax Treatment.* For U.S. federal income tax purposes (and applicable state and local Tax purposes), the Parties (a) agree to treat the Merger as a taxable transaction and (b) shall, and shall cause their respective Affiliates to, (i) report, act and file all Tax Returns in all respects and for all Tax purposes consistent with such Tax treatment and (ii) not take any action or position for Tax purposes (whether on any Tax Return, in any audit, examination or other Legal Proceeding with respect to Taxes or otherwise) that is inconsistent with such Tax treatment, except as otherwise required by a “determination” as defined in Section 1313(a) of the Code or any corresponding or similar resolution under applicable state or local law.

Article III REPRESENTATIONS AND WARRANTIES OF THE COMPANY

With respect to any Section of this Article III, except (a) as disclosed in the reports, statements and other documents filed by the Company with the SEC or furnished by the Company to the SEC, in each case pursuant to the Exchange Act on or after January 1, 2024 and prior to the date of this Agreement (other than any disclosures contained or referenced therein under the captions “Risk Factors,” “Special Note Regarding Forward-Looking Statements,” “Quantitative and Qualitative Disclosures About Market Risk” and any other disclosures contained or referenced therein of information, factors or risks that are predictive, cautionary or forward-looking in nature) (the “**Recent SEC Reports**”) (it being understood that (i) any matter disclosed in any Recent SEC Report will be deemed disclosed only with respect to the particular representation or warranty to which such disclosure is specifically applicable and only to the extent the applicability of such disclosure to such representation or warranty is reasonably apparent on the face of such disclosure, and (ii) this clause (a) shall not apply to Section 3.1, Section 3.2, Section 3.3, Section 3.4, Section 3.5, Section 3.6, Section 3.7, Section 3.12(a)(ii), Section 3.24 and Section 3.26); and (b) as set forth in the disclosure letter delivered by the Company to Parent and Merger Sub on the date of this Agreement (the “**Company Disclosure Letter**”), which is hereby made a part of this Agreement; provided, that (x) any disclosure set forth in a particular section or subsection of the Company Disclosure Letter shall be deemed to qualify only the corresponding representation or warranty in this Agreement, except to the extent the applicability of such disclosure to another representation or warranty is reasonably apparent on the face of such disclosure, (y) no disclosure shall constitute a disclosure for any representation or warranty merely by virtue of its inclusion in the Company Disclosure Letter, and (z) the Company shall not be entitled to update or modify the Company Disclosure Letter after the execution and delivery of this Agreement, and any update or modification made or purported to have been made after such time shall be disregarded for all purposes of this Agreement; *provided further*, that nothing in this clause (z) shall limit the Company’s obligations under Section 6.10(a) (Notification of Certain Matters) or affect the remedies available to the Parties under this Agreement), the Company hereby represents and warrants to Parent and Merger Sub as follows:

3.1 *Organization; Good Standing.* The Company (a) is a corporation duly organized, validly existing and in good standing pursuant to the DGCL; and (b) has the requisite corporate power and authority to conduct its business as it is presently being conducted and to own, lease or operate its properties and assets. The Company is duly qualified to do business and is in good standing in each jurisdiction where the character of its properties owned or leased or the nature of its activities make such qualification necessary (to the extent that the concept of “good standing” is applicable in the case of any jurisdiction outside the United States), except where the failure to be so qualified or in good standing

would not have a Company Material Adverse Effect. The Company has made available to Parent true, correct and complete copies of the Charter and the Fifth Amended and Restated Bylaws of the Company, as amended (the “**Bylaws**”), each as amended to date. The Charter and Bylaws are in full force and effect on the date of this Agreement. The Company is not in violation of the Charter or the Bylaws.

3.2 *Corporate Power; Enforceability.* The Company has the requisite corporate power and authority to (a) execute and deliver this Agreement; (b) perform its covenants and obligations hereunder; and (c) subject to receiving the Requisite Stockholder Approval, consummate the Merger. The execution and delivery of this Agreement by the Company, the performance by the Company of its covenants and obligations hereunder, and the consummation of the Merger have been duly authorized by all necessary corporate action on the part of the Company and no additional corporate actions on the part of the Company are necessary to authorize (i) the execution and delivery of this Agreement by the Company; (ii) the performance by the Company of its covenants and obligations hereunder; or (iii) subject to the receipt of the Requisite Stockholder Approval, the consummation of the Merger. This Agreement has been duly executed and delivered by the Company and, assuming the due authorization, execution and delivery by Parent and Merger Sub, constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as such enforceability (A) may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting or relating to creditors’ rights generally; and (B) is subject to general principles of equity (the “**Enforceability Limitations**”).

3.3 *Company Board Approval; Fairness Opinion; Anti-Takeover Laws.*

(a) *Company Board Approval.* The Company Board (at a meeting or meetings duly called and held) has unanimously (i) determined that it is in the best interests of the Company and its stockholders to enter into this Agreement and consummate the Merger upon the terms and subject to the conditions set forth herein; (ii) declared this Agreement advisable; (iii) approved the execution and delivery of this Agreement by the Company, the performance by the Company of its covenants and other obligations hereunder, and the consummation of the Merger upon the terms and conditions set forth herein; and (iv) resolved to recommend that the Company Stockholders vote in favor of adoption of this Agreement and approve the Merger in accordance with the DGCL (collectively, the “**Company Board Recommendation**”), which Company Board Recommendation has not been withdrawn, rescinded or modified in any way as of the date of this Agreement.

(b) *Fairness Opinion.* Prior to the execution of this Agreement, the Company Board has received the written opinion (or an oral opinion to be confirmed in writing) of Citizens JMP Securities, LLC (the “**Advisor**”) to the effect that, as of the date of such opinion, and based upon and subject to the various limitations, matters, qualifications and assumptions set forth therein, the Merger Consideration to be paid to the holders (other than Owned Company Shares) of shares of Company Common Stock pursuant to this Agreement is fair from a financial point of view to such holders (it being understood and agreed that such written opinion is for the benefit of the Company Board and may not be relied upon by Parent or Merger Sub).

(c) *Anti-Takeover Laws.* The Company Board has taken all necessary actions so that the restrictions on business combinations set forth in Section 203 of the DGCL and any other similar applicable “fair price,” “moratorium,” “control share acquisition,” “business combination” or other similar anti-takeover statute, regulation or provision of the Organizational Documents of the Company (collectively, “**Takeover Laws**”) will not be applicable to this Agreement, the Merger or any of the other transactions contemplated hereby. No Takeover Law is applicable to this Agreement, the Merger or any of the other transactions contemplated hereby. Neither the Company nor any of its Subsidiaries is party to, nor is any class of Company Capital Stock subject to, any stockholder rights plan, rights agreement, “poison pill” or similar agreement, arrangement or plan. No action on the part of the holders of any class or series of Company Capital Stock, other than the Requisite Stockholder Approval, is necessary to render inapplicable any Takeover Law to the Merger or the other transactions contemplated by this Agreement.

3.4 *Requisite Stockholder Approval.* The affirmative vote of the holders of a majority of the voting power of the outstanding shares of Company Common Stock entitled to vote on the Merger (the “**Requisite Stockholder Approval**”) is the only vote of the holders of any class or series of Company

Capital Stock that is necessary pursuant to applicable law, the Charter or the Bylaws to adopt this Agreement and consummate the Merger.

3.5 *Non-Contravention.* The execution and delivery of this Agreement by the Company, the performance by the Company of its covenants and obligations hereunder, and the consummation of the Merger do not (a) violate or conflict with any provision of the Charter or the Bylaws; (b) violate, conflict with, result in the breach of, constitute a default (or an event that, with notice or lapse of time or both, would become a default) pursuant to, result in the termination of, accelerate the performance required by, or result in a right of termination or acceleration pursuant to any Material Contract; (c) assuming that all Consents described in [Section 3.6](#) have been obtained or made, and any waiting periods thereunder have terminated or expired prior to the Effective Time and, in the case of the consummation of the Merger, subject to obtaining the Requisite Stockholder Approval, violate or conflict with any law or order applicable to the Company Group or by which any of their respective properties or assets are bound; or (d) result in the creation of any lien (other than Permitted Liens) upon any of the properties or assets of the Company Group, except in the case of each of clauses (b), (c) and (d) for such violations, conflicts, breaches, defaults, terminations, accelerations or liens that would not be material to the Company and its Subsidiaries taken as a whole.

3.6 *Requisite Governmental Approvals.* No consent, approval, order or authorization of, filing or registration with, or notification to (any of the foregoing, a “Consent”) any Governmental Authority, including under any Antitrust Law, is required on the part of the Company in connection with (a) the execution and delivery of this Agreement by the Company; (b) the performance by the Company of its covenants and obligations pursuant to this Agreement; or (c) the consummation of the Merger, except (i) the filing of the Certificate of Merger with the Secretary of State of the State of Delaware and such filings with Governmental Authorities to satisfy the applicable laws of states in which the Company Group is qualified to do business; (ii) such filings and approvals as may be required by any federal or state securities laws, including compliance with any applicable requirements of the Exchange Act; and (iii) such other Consents the failure of which to obtain would not have a Company Material Adverse Effect.

3.7 *Company Capitalization.*

(a) *Capital Stock.* The authorized capital stock of the Company consists of 25,000,000 shares of Company Common Stock. As of 5:00 p.m., Eastern time, on June 30, 2026 (such time and date, the “**Capitalization Date**”), (A) 7,459,177 shares of Company Common Stock were issued and outstanding; (B) 4,606,111 shares of Company Common Stock were held by the Company as treasury shares; and (C) no shares of preferred stock of the Company were authorized, issued or outstanding. All outstanding shares of Company Common Stock are validly issued, fully paid, nonassessable and free of any preemptive rights. From the close of business on the Capitalization Date to the date of this Agreement, the Company has not issued or granted any Company Securities.

(b) *Company Equity Awards.* As of the Capitalization Date, (i) approximately 4,129,321 shares of Company Common Stock were reserved for issuance pursuant to the Company Equity Plans and (ii) there were outstanding (A) Company Options to acquire an aggregate of 166,602 shares of Company Common Stock, with a weighted average exercise price of \$6.58 per share; (B) Company RSUs representing the right to receive an aggregate of 281,444 shares of Company Common Stock; and (C) Company PSUs representing the right to receive an aggregate of 50,000 shares of Company Common Stock (assuming satisfaction of performance conditions at target).

(c) *Company Securities.* Except as set forth in this [Section 3.7](#), as of the Capitalization Date there were (i) other than the Company Capital Stock, no outstanding shares of capital stock of, or other equity or voting interest in, the Company; (ii) no outstanding securities of the Company convertible into or exchangeable or exercisable for shares of capital stock of, or other equity or voting interest (including voting debt) in, the Company; (iii) no outstanding options, warrants or other rights or binding arrangements to acquire from the Company, or that obligate the Company to issue, any capital stock of, or other equity or voting interest in, or any securities convertible into or exchangeable for shares of capital stock of, or other equity or voting interest (including voting debt) in, the Company; (iv) no obligations of the Company to grant, extend or enter into any subscription, warrant, right, convertible, exchangeable or exercisable security, or other similar Contract relating to any capital stock of, or other equity or voting

interest (including any voting debt) in, the Company; (v) no outstanding shares of restricted stock, restricted stock units, stock appreciation rights, performance shares, contingent value rights, “phantom” stock or similar securities or rights that are derivative of, or provide economic benefits based, directly or indirectly, on the value or price of, any capital stock of, or other securities or ownership interests in, the Company (the items in clauses (i), (ii), (iii), (iv) and (v), collectively with the Company Capital Stock, the “**Company Securities**”); (vi) no voting trusts, proxies or similar arrangements or understandings to which the Company is a party or by which the Company is bound with respect to the voting of any shares of capital stock of, or other equity or voting interest in, the Company; (vii) except as provided in the Charter or the Bylaws, no obligations or binding commitments of any character restricting the transfer of any shares of capital stock of, or other equity or voting interest in, the Company to which the Company is a party or by which it is bound; and (viii) no other obligations by the Company to make any payments based on the price or value of any Company Securities. The Company is not a party to any Contract that obligates it to repurchase, redeem or otherwise acquire any Company Securities. There are no accrued and unpaid dividends with respect to any outstanding shares of Company Capital Stock. The Company does not have a stockholder rights plan in effect.

(d) *Other Rights.* The Company is not a party to any Contract relating to the voting of, requiring registration of, or granting any preemptive rights, anti-dilutive rights or rights of first refusal or other similar rights with respect to any Company Securities.

3.8 *Subsidiaries.*

(a) *Subsidiaries.* Section 3.8(a) of the Company Disclosure Letter contains a true, correct and complete list of the name, jurisdiction of organization, and schedule of stockholders or equity holders (other than any member of the Company Group) of each Subsidiary of the Company. Each Subsidiary of the Company (i) is duly organized, validly existing and in good standing pursuant to the laws of its jurisdiction of organization (to the extent that the concept of “good standing” is applicable in the case of any jurisdiction outside the United States); (ii) has the requisite corporate (or similar) power and authority to carry on its respective business as it is presently being conducted and to own, lease or operate its respective properties and assets; and (iii) is duly qualified to do business and is in good standing in each jurisdiction where the character of its properties owned or leased or the nature of its activities make such qualification necessary (to the extent that the concept of “good standing” is applicable in the case of any jurisdiction outside the United States), except where the failure to be so qualified or in good standing would not have a Company Material Adverse Effect. The Company has made available to Parent true, correct and complete copies of the certificates of incorporation, bylaws and other similar organizational documents of each “significant subsidiary” (as defined in Rule 1-02(w) of Regulation S-X promulgated by the SEC) of the Company, each as amended to date. No Subsidiary of the Company is in violation of its charter, bylaws or other similar organizational documents, except for such violations that would not have a Company Material Adverse Effect.

(b) *Capital Stock of Subsidiaries.* All of the outstanding capital stock of, or other equity or member or voting interest in, each Subsidiary of the Company (i) has been duly authorized, validly issued and is fully paid and nonassessable (to the extent such concepts are applicable to such Subsidiary); and (ii) except for director’s qualifying or similar shares, is owned, directly or indirectly, by the Company, free and clear of all liens (other than Permitted Liens) and any other restriction (including any restriction on the right to vote, sell or otherwise dispose of such capital stock or other equity or voting interest) that would prevent such Subsidiary from conducting its business as of the Effective Time in substantially the same manner that such business is conducted on the date of this Agreement.

(c) *Other Securities of Subsidiaries.* There are no outstanding (i) securities convertible into or exchangeable or exercisable for shares of capital stock of, or other equity or voting interest in, any Subsidiary of the Company; (ii) options, warrants or other rights or arrangements obligating the Company Group to acquire from any Subsidiary of the Company, or that obligate any Subsidiary of the Company to issue, any capital stock of, or other equity or voting interest in, or any securities convertible into or exchangeable for, shares of capital stock of, or other equity or voting interest (including any voting debt) in, any Subsidiary of the Company;

or (iii) obligations of any Subsidiary of the Company to grant, extend or enter into any subscription, warrant, right, convertible or exchangeable security, or other similar Contract relating to any capital stock of, or other equity or voting interest (including any voting debt) in, such Subsidiary to any Person other than the Company or one of its Subsidiaries.

(d) *Other Investments.* Other than equity securities held in the ordinary course of business for cash management purposes, the Company does not own or hold the right to acquire any equity securities, ownership interests or voting interests (including voting debt) of, or securities exchangeable or exercisable therefor, or investments in, any other Person.

3.9 *Company SEC Reports.* Since January 1, 2024, the Company has filed all forms, reports and documents with the SEC that have been required to be filed by it pursuant to applicable laws prior to the date of this Agreement (the “**Company SEC Reports**”). Each Company SEC Report complied, as of its effective date (in the case of Company SEC Reports that are registration statements filed pursuant to the requirements of the Securities Act) or filing date (in the case of all other applicable Company SEC Reports) (or, if amended or superseded by a filing prior to the date of this Agreement, as of the date of the last such amendment or superseded filing), in all material respects with the applicable requirements of the Securities Act or the Exchange Act, as the case may be, each as in effect on the date that such Company SEC Report was filed. True, correct and complete copies of all Company SEC Reports are publicly available in the Electronic Data Gathering, Analysis and Retrieval database of the SEC. As of its filing date (or, if amended or superseded by a filing prior to the date of this Agreement, on the date of such amended or superseded filing), each Company SEC Report did not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. As of the date of this Agreement, there are no outstanding or unresolved comments in comment letters received from the SEC with respect to the Company SEC Reports.

3.10 *Company Financial Statements; Internal Controls; Indebtedness.*

(a) *Company Financial Statements.* The consolidated financial statements (including any related notes and schedules) of the Company Group filed with the Company SEC Reports (i) were prepared in accordance with GAAP (except as may be indicated in the notes thereto or as otherwise permitted by Form 10-Q with respect to any financial statements filed on Form 10-Q); and (ii) fairly present (except as may be indicated in the notes thereto and subject in the case of unaudited statements to normal, year-end audit adjustments), in all material respects, the consolidated financial position of the Company Group as of the dates thereof and the consolidated results of operations and cash flows for the periods then ended. There are no unconsolidated Subsidiaries of the Company or any off-balance sheet arrangements of the type required to be disclosed pursuant to Item 303(a)(4) of Regulation S-K promulgated by the SEC that have not been so disclosed in the Company SEC Reports.

(b) *Disclosure Controls and Procedures.* The Company has established and maintains “disclosure controls and procedures” (as defined pursuant to Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Exchange Act). The Company’s disclosure controls and procedures are reasonably designed to ensure that all (i) material information required to be disclosed by the Company in the reports and other documents that it files or furnishes pursuant to the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC; and (ii) such material information is accumulated and communicated to the Company’s management as appropriate to allow timely decisions regarding required disclosure and to make the certifications required pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act.

(c) *Internal Controls.* The Company has established and maintains a system of “internal control over financial reporting” (as defined pursuant to Rule 13a-15(f) and Rule 15d-15(f) promulgated under the Exchange Act) sufficient to provide reasonable assurance (i) that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, including policies and procedures that require the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company Group; (ii) that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and that receipts and expenditures

of the Company and its Subsidiaries are being made only in accordance with appropriate authorizations of the Company's management and the Company Board (or a committee thereof); and (iii) regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets of the Company Group. The Company's management has completed an assessment of the effectiveness of the Company's internal control over financial reporting in compliance with the requirements of Section 404(a) of the Sarbanes-Oxley Act for the fiscal year ended December 31, 2025, and such assessment concluded that such system was effective. Since January 1, 2024, the principal executive officer and principal financial officer of the Company have made all certifications required by the Sarbanes-Oxley Act. Neither the Company nor its principal executive officer or principal financial officer has received notice from any Governmental Authority challenging or questioning the accuracy, completeness, form or manner of filing of such certifications. Neither the Company nor, to the knowledge of the Company, the Company's independent registered public accounting firm has identified or been made aware of (A) any "significant deficiency" or "material weakness" (each as defined in Rule 13a-15(f) of the Exchange Act) in the system of internal control over financial reporting utilized by the Company Group that has not been subsequently remediated; or (B) any fraud that involves the Company's management or other employees who have a role in the preparation of financial statements or the internal control over financial reporting utilized by the Company Group.

(d) *Indebtedness.* Section 3.10(d) of the Company Disclosure Letter contains a true, correct and complete list of all Indebtedness of the Company Group as of the date of this Agreement, other than Indebtedness reflected in the Audited Company Balance Sheet or otherwise included in the Company SEC Reports filed between January 1, 2026 and the date of this Agreement.

3.11 *No Undisclosed Liabilities.* Neither the Company nor any of its Subsidiaries has any liabilities of a nature required to be reflected or reserved against on a balance sheet (or the notes thereto) prepared in accordance with GAAP, other than liabilities (a) reflected or otherwise reserved against in the Audited Company Balance Sheet or in the consolidated financial statements of the Company Group (including the notes thereto) included in the Company SEC Reports filed prior to the date of this Agreement; (b) arising pursuant to or incurred as expressly permitted or expressly contemplated by this Agreement or incurred in connection with the Transactions; (c) incurred in the ordinary course of business since June 30, 2026; or (d) that do not exceed \$250,000 individually or \$500,000 in the aggregate.

3.12 *Absence of Certain Changes.*

(a) *No Company Material Adverse Effect.* Except as otherwise contemplated, required or permitted by this Agreement, since December 31, 2025 through the date of this Agreement, (i) the business of the Company Group has been conducted, in all material respects, in the ordinary course of business (except with respect to this Agreement and discussions, negotiations and transactions related hereto) and (ii) there has not occurred a Company Material Adverse Effect.

(b) *Forbearance.* Since March 31, 2026 through the date of this Agreement, the Company has not taken any action that would be prohibited by Section 5.2, if taken or proposed to be taken after the date of this Agreement.

3.13 *Material Contracts.*

(a) *List of Material Contracts.* Section 3.13(a) of the Company Disclosure Letter contains a true, correct and complete list of all Material Contracts to or by which the Company Group is a party or is bound as of the date hereof (other than any Material Contracts contemplated by clause (i) of the definition of Material Contract and any Material Contracts listed in Section 3.14(b), Section 3.14(c) or Section 3.18(a) of the Company Disclosure Letter), and a true, correct and complete copy of each Material Contract has been made available to Parent prior to the date of this Agreement.

(b) *Validity.* Each Material Contract is, subject to the Enforceability Limitations, valid and binding on the Company or each such Subsidiary of the Company party thereto, enforceable in accordance with its terms, and is in full force and effect, and none of the Company,

any of its Subsidiaries party thereto or, to the Knowledge of the Company, any other party thereto is or is alleged to be in breach of or default pursuant to any such Material Contract, except in each case for such failures to be in full force and effect that would not have a Company Material Adverse Effect. No event has occurred that, with notice or lapse of time or both, would constitute a breach or default pursuant to any Material Contract by the Company Group, or, to the Knowledge of the Company, any other party thereto, except in each case for such breaches and defaults that would not have a Company Material Adverse Effect.

(c) *Notices from Material Customers.* Since the date of the Audited Company Balance Sheet to the date of this Agreement, the Company has not received any written or, to the Knowledge of the Company, oral notice, and to the Knowledge of the Company, (i) no party to a Material Contract or Material Customer intends, to terminate, not renew, materially reduce volumes under, materially reduce purchases under, or renegotiate the terms of any Material Contract or its relationship with the Company Group, and (ii) the Company has not received any material notice from a Material Customer that the Company has failed to meet the defined performance criteria agreed to by Company and such customer.

3.14 *Real Property.*

(a) *Owned Real Property.* The Company Group does not own any real property.

(b) *Leased Real Property.* Section 3.14(b) of the Company Disclosure Letter contains a true, correct and complete list, as of the date of this Agreement, of all existing leases, subleases, licenses or other written agreements and all material modifications, amendments and supplements thereto, pursuant to which the Company Group uses or occupies, or has the right to use or occupy, now or in the future, any real property (such property, the "**Leased Real Property**," and each such lease, sublease, license or other agreement, together with all amendments, modifications, and supplements thereto, a "**Lease**") where the terms of such Lease, as of the date of this Agreement, provide for annual lease payments in excess of \$500,000. The Company has made available to Parent true, correct and complete (in all material respects) copies of all Leases set forth in Section 3.14(b) of the Company Disclosure Letter. With respect to each such Lease and except as would not have a Company Material Adverse Effect, (i) each Lease is legal, valid and binding, subject to the Enforceability Limitations, and in full force and effect; (ii) neither the Company nor any of its Subsidiaries is in receipt of any written notice of default pursuant to such Lease, no rent is past due and, to the Knowledge of the Company, no fact, circumstance or condition exists that is or would reasonably be expected to become a default by any party under such Lease or permit the termination, modification or acceleration of rent under such Lease, and no security deposit or portion thereof deposited with respect to such Lease has been applied in respect of a breach or default under such Lease which has not been redeposited in full; (iii) neither the Company nor any Subsidiary has collaterally assigned or granted any other security interest in such Lease or any interest therein (except for assignments or grants in favor of the counterparty to such Lease or pursuant to the ABL Loan Agreement); and (iv) there are no liens (other than Permitted Liens) on the estate or interest created by such Lease. The Company or one of its Subsidiaries has valid leasehold estates in the Leased Real Property binding and enforceable upon the Company or its Subsidiaries, as applicable, free and clear of all liens other than Permitted Liens. Except as set forth in Section 3.14(b) of the Company Disclosure Letter, there are no Legal Proceedings pending or, to the Knowledge of the Company, threatened against any Leased Real Property that could reasonably be expected to materially affect the continued use of such property. There are no pending or, to the Knowledge of the Company, threatened Legal Proceedings to (i) condemn, take or demolish any Leased Real Property or any portion thereof, (ii) declare any Leased Real Property or any portion thereof a nuisance, (iii) exercise the power of eminent domain or any similar governmental power with respect to any Leased Real Property or any portion thereof, or (iv) effect any sale or disposition in lieu of condemnation. There are no pending or, to the Knowledge of the Company, threatened material special assessments affecting any Leased Real Property. Except as would not reasonably be expected to have a Company Material Adverse Effect or is otherwise disclosed on Section 3.14(b) of the Company Disclosure Letter, (i) there are no leasing costs, leasing commissions, or finder fees or the like which are due or payable, which have not been paid, with respect to the Leases (including with respect to

current or future renewals and expansions thereof), and (ii) there are no exclusive or continuing brokerage agreements as to any of the space leased under the Leases.

(c) *Subleases.* As of the date of this Agreement, there are no existing subleases, licenses or similar agreements in which the Company or any of its Subsidiaries has granted to any Person, other than the Company Group, any right to use or occupy, now or in the future, the Leased Real Property set forth in Section 3.14(b) of the Company Disclosure Letter.

(d) *Operational Condition.* Except as would not reasonably be expected to be material to the Company Group, taken as a whole, all buildings, structures, improvements, fixtures, building systems, equipment and all components thereof included in the Leased Real Property (collectively, the “**Improvements**”) are in good condition and repair and are adequate and sufficient for the operation of the business of the Company Group as currently conducted. There are no structural deficiencies or, to the Knowledge of the Company, latent defects affecting any of the Improvements that would reasonably be expected to be material to the Company Group, taken as a whole. To the Knowledge of the Company, there are no material capital expenditures with respect to the Improvements that are required to be made during the twelve (12) months following the date of this Agreement. To the Knowledge of the Company, there are no facts or conditions affecting any of the Improvements which would, individually or in the aggregate, interfere in any material respect with the use or occupancy of the Improvements or any portion thereof in the ordinary course of business. The Leased Real Property constitute all real property used in, and necessary for, the conduct of the business of the Company Group as currently conducted. All material buildings, fixtures, tangible personal property and leasehold improvements primarily used in the business of the Company Group are located on the Leased Real Property, other than tangible personal property in the possession of employees in connection with their employment (including remote work equipment) and tangible personal property in transit or at customer or vendor locations in the ordinary course of business.

(e) *Personal Property.* Except as would not reasonably be expected to have a Company Material Adverse Effect, the Company and each of its Subsidiaries has good title to, or a valid and binding leasehold interest in, all material tangible assets, personal property, machinery and equipment owned or leased by it (the “**Tangible Assets**”), free and clear of all liens, other than Permitted Liens. Except as would not reasonably be expected to have a Company Material Adverse Effect, to the Knowledge of the Company, all of such Tangible Assets are in good operating condition (ordinary wear and tear excepted), and have been and are being used in material compliance with applicable law and are capable of being used for the purposes for which such assets are now used by the Company or its Subsidiaries.

(f) *Sufficiency of Assets.* Except as would not reasonably be expected to have a Company Material Adverse Effect, the Tangible Assets are sufficient for the Company and each of its Subsidiaries to continue to operate the business following the Closing in the same manner as it is conducted as of the date of this Agreement.

3.15 *Environmental Matters.* Since January 1, 2023, and except as set forth in Schedule 3.15 of the Company Disclosure Letter or as would not reasonably be expected to have a Company Material Adverse Effect, none of the Company Group (a) has received any notice alleging that the Company or any of its Subsidiaries has violated, or has any liability under, any applicable Environmental Law; (b) has Knowledge of Hazardous Substances present at, affecting, or having emanated or continuing to emanate from any of the Leased Real Property in amounts or circumstances that would reasonably be expected to require the Company or any of its Subsidiaries to undertake any investigation or corrective or remedial action under any Lease or any applicable Environmental Law or any third-party agreement, or to give rise to any claim against or interfere with the operations of the Company or any of its Subsidiaries, (c) is a party to or is the subject of any pending or, to the Knowledge of the Company or its Subsidiaries, threatened Legal Proceeding or third-party claim under Environmental Laws, (d) has treated, stored, disposed of, arranged for or permitted the disposal of, transported, handled, released or exposed any Person to any Hazardous Substance, or owned or operated any property or facility contaminated by any Hazardous Substance, in each case as would reasonably be expected to give rise to continuing liability post-closing under any Environmental Law, third-party agreement, or any lease, sublease, license or other

occupancy agreement for the operation thereof, or (e) has failed to comply with applicable Environmental Laws, including possessing and complying with any permits required for the Company or its Subsidiaries to conduct then current operations. The Company makes no representation or warranty to the Parent or Merger Sub relating to Environmental Laws or the effect thereof on the business of the Company or its Subsidiaries (including the existence or absence of any liabilities related thereto) other than pursuant to this Section 3.15, which is intended to contain the sole and exclusive representations and warranties of the Company relating to such matters.

3.16 *Intellectual Property.*

(a) *Registered Intellectual Property; Proceedings.* Section 3.16(a) of the Company Disclosure Letter sets forth a true, correct and complete list as of the date of this Agreement of all (i) Company Registered Intellectual Property and specifies, where applicable, the jurisdictions in which each such item of Company Registered Intellectual Property has been issued or registered and corresponding bibliographic details; and (ii) Legal Proceedings currently pending before any Governmental Authority (other than actions related to the ordinary course prosecution of Company Registered Intellectual Property before the United States Patent and Trademark Office or the equivalent authority anywhere in the world) related to any material Company Registered Intellectual Property.

(b) *Full Force and Effect.* To the Knowledge of the Company, (i) all material Company Registered Intellectual Property is subsisting, valid, enforceable, and in full force and effect, (ii) all required maintenance, renewal and filing fees with respect thereto have been timely paid and (iii) all necessary documents and certificates with respect thereto have been timely filed.

(c) *Conduct of the Business.* The Company Group owns or has rights to use all material Intellectual Property necessary and sufficient to enable the Company Group to conduct the business of the Company and its Subsidiaries in the manner in which such business is currently being conducted.

(d) *No Order.* To the Knowledge of the Company, no material Company Intellectual Property is subject to any outstanding Legal Proceeding or order with respect to the Company Group restricting in any material manner the use, transfer or licensing by the Company Group of any such material Company Intellectual Property.

(e) *Absence of Liens.* The Company or one of its Subsidiaries owns and has good and valid legal and equitable title to each item of material Company Intellectual Property free and clear of any liens (other than Permitted Liens).

(f) *IP Contracts.* Section 3.16(f) of the Company Disclosure Letter sets forth a true, correct and complete list of all Contracts to which the Company Group is a party (i) with respect to material Company Intellectual Property licensing or transferring any right therein to any third Person other than any non-disclosure agreements entered into in the ordinary course of business; and (ii) pursuant to which a third Person has licensed or transferred any Intellectual Property to the Company Group, other than any (A) non-disclosure agreements or other Contracts entered into in the ordinary course of business and (B) non-exclusive licenses of commercially available software used solely for the Company Group's internal use (all such Contracts, the "**IP Contracts**").

(g) *Changes.* Except as would not have a Company Material Adverse Effect, the consummation of the Merger will not under any IP Contract result in: (i) the termination of any material license of Intellectual Property to the Company by a third Person; or (ii) the granting by the Company of any license or rights to any Company Intellectual Property.

(h) *No Government or Institutional Funding.* The Company is not under any obligation, present or contingent, to license or grant any material Company Intellectual Property to any Governmental Authority, educational institution, or research center because it has received funding to develop such Company Intellectual Property.

(i) *No Infringement.* To the Knowledge of the Company, the operation of the business of the Company Group (including the manufacture and sale of the Company Group's products) as of the date of this Agreement and as conducted since January 1, 2023 does not infringe, misappropriate, dilute, or otherwise violate, and has not infringed, misappropriated, diluted, or otherwise violated, the Intellectual Property of any third Person in a manner that has or could reasonably be expected to result in a material liability to the Company Group, taken as a whole.

(j) *No Notice of Infringement.* Since January 1, 2023, the Company Group has not received written notice from any third Person, or been involved in any Legal Proceeding, alleging that the operation of the business of the Company Group or that any of the Company Group's products infringes, misappropriates, or otherwise violates the Intellectual Property of any third Person in a manner that has or could reasonably be expected to result in a Company Material Adverse Effect.

(k) *No Third Person Infringement.* Since January 1, 2024, the Company Group has not provided any third Person with written notice claiming that such third Person is infringing, misappropriating, or otherwise violating any material Company Intellectual Property, and, except as would not have a Company Material Adverse Effect, to the Knowledge of the Company, no such activity is occurring that has resulted in a material liability or loss to the Company Group, taken as a whole.

(l) *Proprietary Information.* The Company Group has taken reasonable steps to protect the Company Group's rights in its confidential information and trade secrets that it wishes to protect, or any trade secrets or confidential information of third Persons provided to the Company Group. Without limiting the foregoing, the Company Group has and uses commercially reasonable efforts to enforce a policy requiring each officer and employee engaged in the development of any material Intellectual Property for the Company Group to execute a proprietary information and confidentiality agreement obliging non-disclosure of Company Group confidential information and trade secrets.

(m) *Employee and Contractor Assignment.* To the Knowledge of the Company, all current and former employees, consultants, contractors, service providers and other Persons who contributed to the conception, development, authorship, creation, modification or improvement of any material Company Intellectual Property have executed valid and enforceable written agreements including assignment to the Company or one of its Subsidiaries all rights of such Persons in such Intellectual Property.

(n) *Artificial Intelligence Use.* To the Knowledge of the Company, the Company Group possesses rights that the Company Group believes in good faith are sufficient for the Company Group's use in the ordinary course of the components, inputs, and outputs of artificial intelligence tools used in the ordinary course or provided or offered to any customer of the Company Group, including training data, except as would not be reasonably expected to be material to the Company Group. To the Knowledge of Company, (a) none of the Company, its Subsidiaries, or employees, consultants, or contractors of the Company Group, have used artificial intelligence tools to develop material Company Intellectual Property, and (b) none of the Company Group have provided any confidential information or trade secrets of the Company Group to any artificial intelligence platform in a manner that has resulted in a written claim against the Company Group.

(o) *Proprietary Software.* Section 3.16(o) of the Company Disclosure Letter sets forth a true, correct and complete list of all software used in the ordinary course developed or customized by or for the Company or its Subsidiaries.

(p) *Data Security and Privacy.* Except as would not have a Company Material Adverse Effect, the Company Group and its collection, access, storage, use, and/or disclosure ("**Processing**") of information that constitutes "personal information" or "personal data" as defined by applicable law ("**Personal Information**") are in compliance with: (i) applicable law

pertaining to privacy, data protection and security, consumer protection, advertising, marketing, communications, recording, wiretapping, biometrics, and telemarketing; (ii) the Company Group's privacy policies and public statements; (iii) industry standards (including the Payment Card Industry Data Security Standard (PCI-DSS); and (iv) Contracts pertaining to the Processing of Personal Information and security requirements ((i) through (iv) collectively, "**Privacy Law**"). The Company Group (A) maintains commercially reasonable policies and procedures designed to protect systems and information processed by or on behalf of the Company Group from and against unlawful, accidental, or unauthorized Processing, destruction, loss, modification, and/or unavailability ("**Security Incidents**"); and (B) is in compliance with such policies, procedures, and Privacy Law, except as would not have a Company Material Adverse Effect. Except as would not have a Company Material Adverse Effect, to the Knowledge of the Company, since January 1, 2023, there have been no Security Incidents. Except as would not have a Company Material Adverse Effect, to the Knowledge of the Company, since January 1, 2023, the Company Group has not notified, and has not been required to notify, any Governmental Authority or Person of any Security Incidents. To the Knowledge of the Company, there are no pending complaints, investigations, claims, damages, or lawsuits related to Privacy Law or Security Incidents, except as would not have a Company Material Adverse Effect.

3.17 *Tax Matters.*

(a) *Tax Returns and Taxes Paid.* The Company Group has (i) timely filed (taking into account valid extensions) all material United States federal, state, local and non-United States tax returns, information statements and reports (including amendments thereto) required to be filed with any Governmental Authority with respect to Taxes ("**Tax Returns**") required to be filed by the Company Group; and (ii) paid, or has adequately reserved in the Audited Company Balance Sheet in accordance with GAAP for the payment of, all material Taxes that are required to be paid by the Company Group through the date of the Audited Company Balance Sheet. Except as obtained in the ordinary course, none of the Company Group has executed any waiver, except in connection with any ongoing Tax examination, of any statute of limitations on, or extended the period for the assessment or collection of, any material Tax, in each case that has not since expired. There are no liens for Taxes upon any of the material assets or properties of the Company Group, other than Permitted Liens. The Company Group has not received any written notice from any Governmental Authority of any proposed, asserted or assessed deficiency for material Taxes that remains unresolved.

(b) *Taxes Withheld.* The Company Group has timely paid or withheld with respect to their employees and other third Persons (and paid over any amounts withheld to the appropriate Tax authority) all material United States federal, state, and local income taxes, Federal Insurance Contribution Act, Federal Unemployment Tax Act and other similar Taxes required to be paid or withheld.

(c) *No Audits.* No audits or other examinations with respect to any material amounts of Taxes of the Company Group are presently in progress or, to the Knowledge of the Company, have, since January 1, 2023, been asserted or proposed in writing. No written claim has been made by a Governmental Authority in the past three years in a jurisdiction where the Company Group does not file Tax Returns that the Company Group is or may be subject to tax in that jurisdiction.

(d) *Affiliated Groups.* The Company Group (i) is not and has never been a member of an affiliated group of corporations filing a consolidated United States federal income Tax Return (other than a group the common parent of which is the Company), or (ii) has any material liability for Taxes of any Person (other than the Company Group) as a transferee or successor, by contract (other than a contract the primary purpose of which is unrelated to Taxes or that is solely among the Company Group), operation of law, or otherwise.

(e) *Spin-offs.* The Company Group has not constituted either a "distributing corporation" or a "controlled corporation" in a distribution of stock intended to qualify for tax-free treatment pursuant to Section 355 of the Code within the past two years.

(f) *No Listed Transaction.* The Company Group has not engaged in a “listed transaction” as set forth in Treasury Regulation § 1.6011-4(b)(2).

(g) *Tax Agreements.* The Company Group is not a party to nor bound by, nor currently has any obligations or material liability pursuant to, any material Tax sharing, allocation, indemnification or similar agreement or obligation, other than any such agreement or obligation the primary purpose of which is unrelated to Taxes or that is solely among the Company Group.

(h) *Transfer Pricing.* The Company Group is in compliance with applicable United States and foreign transfer pricing laws and regulations, including conducting intercompany transactions at arm’s length and the execution and maintenance of contemporaneous documentation substantiating the transfer pricing practices and methodology of the Company Group, except where the failure to be, or to have been, in compliance with such laws and regulations would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(i) *Other Income Inclusions or Exclusions.* The Company Group will not be required to include any material item of income in, or exclude any material item of deduction from, taxable income for any taxable period (or portion thereof) beginning after the Closing Date as a result of any (i) change in method of accounting made on or prior to the Closing Date for a taxable period ending on or prior to the Closing Date; (ii) “closing agreement” as described in Section 7121 of the Code (or any corresponding or similar provision of law) executed on or prior to the Closing Date; (iii) intercompany transactions or any excess loss account described in Treasury Regulations under Section 1502 of the Code (or any corresponding or similar provision of law) with respect to a transaction or event occurring on or prior to the Closing Date; (iv) installment sale or open transaction disposition made on or prior to the Closing Date; or (v) prepaid amount received or paid outside the ordinary course of business on or prior to the Closing Date.

3.18 *Employee Plans.*

(a) *Employee Plans.* Section 3.18(a) of the Company Disclosure Letter sets forth a list, as of the date of this Agreement, of all (i) “employee benefit plans” (as defined in Section 3(3) of ERISA), whether or not subject to ERISA, and (ii) other employment, bonus, severance, termination, pension, stock option, stock purchase or other material equity-based, benefit, incentive compensation, profit sharing, savings, retirement, qualified or non-qualified pension plan, disability, insurance, vacation, deferred compensation, severance, termination, retention, change of control and other similar material fringe, welfare or other employee benefit plans, programs, agreements, policies or binding arrangements maintained or contributed to by the Company Group for the benefit of any current employee or director of the Company Group (collectively, the “**Employee Plans**”). With respect to each Employee Plan, to the extent applicable, the Company has made available to Parent copies of (A) the plan document and all amendments thereto; (B) the current summary plan description; (C) the most recent determination or opinion letter from the IRS; (D) all non-routine correspondence with any Governmental Authority regarding such plan in the past three years; (E) a written summary of the material terms of any Employee Plan that is not set forth in a written document; (F) the three most recently filed annual reports (Form 5500 series or other similar reports) and all schedules and financial statements attached thereto; (G) all applicable coverage and nondiscrimination tests for the three most recently completed plan years; (H) a copy of each trust agreement or other funding arrangement, custodial agreement, insurance policy or contract, administration agreement or similar agreement, and each investment management or investment advisory agreement, and (I) all Forms 1094-C and 1095-C filed with respect to any Employee Plan since 2020.

(b) *Title IV Plans.* Except as otherwise set forth in Section 3.18(b) of the Company Disclosure Letter, neither the Company nor any other trade or business (whether or not incorporated) that would be treated as a single employer with the Company pursuant to Section

414 of the Code has, in the past six years, maintained, sponsored, contributed to, or has any liability under (i) any plan subject to Title IV of ERISA or Section 412 of the Code; (ii) any “multiemployer plan” within the meaning of Section 3(37) of ERISA; (iii) any “multiple employer plan” within the meaning of Section 4063 or 4064 of ERISA; or (iv) any “multiple employer welfare arrangement” within the meaning of Section 3(40) of ERISA.

(c) *Employee Plan Compliance and Legal Proceedings.* Except as otherwise set forth in Section 3.18(c) of the Company Disclosure Letter or as would not have a Company Material Adverse Effect, (i) each Employee Plan has been operated in accordance with its terms and applicable law, including ERISA, Pension Benefit Guaranty Corp rules, and the Code; (ii) all required contributions to the Employee Plans have been properly and timely made; (iii) no Employee Plan has any unfunded liabilities that have not been properly accrued; and (iv) there are no Legal Proceedings pending or, to the Knowledge of the Company, threatened on behalf of or against any Employee Plan, other than routine claims for benefits. Each Employee Plan intended to be qualified under Section 401(a) of the Code has received a favorable determination or opinion letter from the IRS or is entitled to rely on a prototype or volume submitter opinion letter. To the Knowledge of the Company, no event has occurred that would reasonably be expected to cause the loss of such qualification. Each Employee Plan that is a “non-qualified deferred compensation plan” (within the meaning of Section 409A(d)(1) of the Code) has been operated and administered in compliance with Section 409A of the Code in all material respects. No payment made or to be made under any “non-qualified deferred compensation plan” has been subject to taxation pursuant to, or any Taxes, interest, or penalties imposed by, Sections 409A or 457A of the Code.

(d) *Transaction Payments.* Except as otherwise set forth in Section 3.18(d) of the Company Disclosure Letter, neither the execution and delivery of this Agreement nor the consummation of the Merger will, either alone or in conjunction with any other event, (i) result in, or accelerate the time of payment or vesting of, any payment or benefit becoming due under any Employee Plan; (ii) materially increase any compensation or benefits payable under any Employee Plan; (iii) trigger any obligation to fund any Employee Plan; (iv) limit or restrict the right of Parent to merge, amend or terminate any Employee Plan after the Effective Time; or (v) give rise to any “excess parachute payment” within the meaning of Section 280G of the Code.

(e) *Group Health Plan Matters.* No Employee Plan provides material post-termination or post-retirement health, life insurance, or other material welfare benefits, except as required under Part 6 of Subtitle B of Title I of ERISA or Section 4980B of the Code (or similar state law) for which the individual pays the full cost of coverage. Except as would not have a Company Material Adverse Effect, (i) each Employee Plan that is a “group health plan” as defined in Section 5000(b)(1) of the Code complies in all respects with the applicable provisions of the Patient Protection and Affordable Care Act of 2010, the Health Care and Education Reconciliation Act of 2010, and all regulations issued thereunder, (ii) neither the Company nor any other trade or business (whether or not incorporated) that would be treated as a single employer with the Company pursuant to Section 414 of the Code has incurred, and no event has occurred and no condition or circumstance exists that would reasonably be expected to subject the Company or any such affiliate thereof to, any penalty or excise Tax under Sections 4980D or 4980H of the Code, and (iii) the Company has complied with the applicable reporting requirements under Sections 6055 and 6056 of the Code.

(f) *Non-U.S. Plans.* Without limiting the generality of the foregoing, with respect to each Employee Plan that is maintained for current or former employees or other service providers who reside or work primarily outside of the United States (each, a “**Non-U.S. Plan**”): (i) each Non-U.S. Plan required to be registered has been registered and has been maintained in good standing in all material respects with any applicable Governmental Authority; (ii) no Non-U.S. Plan is a defined benefit plan (as defined in ERISA, whether or not subject to ERISA); and (iii) no material unfunded or underfunded liabilities exist with respect to any Non-U.S. Plan. The Company Group has timely made all payments required to have been made by them in all material respects with respect to any plan or arrangement sponsored or maintained by a Governmental Authority.

3.19 *Labor Matters.*

(a) *Union Activities.* The Company Group is not a party to or bound by any collective bargaining agreement or other Contract with any labor union (each, a “**Collective Bargaining Agreement**”), and no Collective Bargaining Agreement is being negotiated by the Company Group. Except as would not have a Company Material Adverse Effect, as of the date hereof, there is no strike, lockout, slowdown, work stoppage or other labor dispute against or affecting the Company Group pending, or to the Knowledge of the Company, threatened.

(b) *Employment Law Compliance.* Except as would not have a Company Material Adverse Effect, the Company Group is, and for the past three years has been, in compliance with applicable laws with respect to employment, including employment practices, wage and hour, immigration, discrimination, retaliation, labor relations, worker classification, and employee health and safety. In the past three years, the Company Group has not implemented any “plant closing” or “mass layoff” (each, as defined in WARN).

3.20 *Permits; Compliance with Laws.*

(a) (i) The Company Group holds, to the extent legally required, all material permits, licenses, variances, clearances, consents, commissions, franchises, exemptions, orders and approvals from Governmental Authorities (“**Permits**”) that are required for the operation of the business of the Company Group as currently conducted; (ii) the Company Group complies in all material respects with the terms of all such Permits; and (iii) as of the date of this Agreement, no suspension or cancellation of any such Permit is pending or, to the Knowledge of the Company, threatened.

(b) The Company Group is, and has been since January 1, 2023, in compliance in all material respects with all laws and orders that are applicable to the Company Group or to the conduct of the business or operations of the Company Group.

(c) Without limiting the generality of Section 3.20(b), the Company Group is, and has been since January 1, 2019, in compliance in all material respects with all applicable Health Laws, including HIPAA. In furtherance of the foregoing:

- (i) the Company has designated privacy and security officials responsible for the development and implementation of its privacy and security compliance program;
- (ii) when required by HIPAA, the Company Group has entered into and complies in all material respects with all required business associate agreements;
- (iii) the Company Group has provided training required under HIPAA to applicable members of its workforce;
- (iv) the Company Group has adopted and maintained privacy and security policies and procedures designed to comply with HIPAA;
- (v) the Company Group has conducted periodic security risk assessments and security risk analyses as required under applicable Health Laws and has addressed and remediated all material deficiencies identified through such assessments;
- (vi) except as set forth in the Company Disclosure Letter, the Company Group has not received any written notice from any Governmental Authority alleging any violation of HIPAA or other applicable Health Laws; and

- (vii) the Company Group has not experienced any Breach of Protected Health Information (as such terms are defined under HIPAA) that required notification under 45 C.F.R. § 164.410.

(d) No representation is made under this Section 3.20 with respect to environmental, intellectual property, Tax, employee benefits, labor, trade controls and anti-corruption matters, which matters are addressed exclusively in Sections 3.15, 3.16, 3.17, 3.18, 3.19 and 3.25.

3.21 *Legal Proceedings; Orders.*

(a) *No Legal Proceedings.* As of the date hereof, there are no Legal Proceedings pending or, to the Knowledge of the Company, threatened against the Company Group, except as listed on Section 3.21 of the Company Disclosure Letter and for those that would not, individually or in the aggregate, reasonably be expected to be material to the Company Group.

(b) *No Orders.* As of the date hereof, the Company Group is not subject to any order of any kind or nature issued by any Governmental Authority that would reasonably be expected to prevent or delay the consummation of the Merger or the ability of the Company to fully perform its covenants and obligations pursuant to this Agreement.

3.22 *Insurance.* Section 3.22 of the Company Disclosure Letter sets forth a true, correct and complete list, as of the date of this Agreement, of all material insurance policies maintained by or for the benefit of the Company Group (the “**Company Insurance Policies**”). The Company Group maintains insurance coverage with reputable insurers in such amounts and covering such risks as the Company reasonably believes, based on past experience, is customarily carried by Persons conducting business similar to that of the Company Group. Except as would not have a Company Material Adverse Effect, as of the date of this Agreement:

- (i) each Company Insurance Policy is valid and binding and in full force and effect;
- (ii) all premiums due and payable under the Company Insurance Policies have been paid when due and no premium is past due;
- (iii) the Company Group is in compliance in all material respects with the terms and conditions of the Company Insurance Policies; and
- (iv) neither the Company nor any of its Subsidiaries is in breach or default under any Company Insurance Policy and, to the Knowledge of the Company, no event has occurred that, with notice or lapse of time or both, would constitute such a breach or default or permit termination, cancellation, rescission or modification of coverage thereunder;
- (v) neither the Company nor any of its Subsidiaries has received any written notice of cancellation, termination, non-renewal, invalidation or material premium increase with respect to any Company Insurance Policy;
- (vi) all pending claims in excess of \$100,000 have been properly reported to the applicable insurer in accordance with the terms of the applicable Company Insurance Policy and no insurer has denied coverage with respect to any such claim; and
- (vii) since January 1, 2023, neither the Company nor any of its Subsidiaries has received any written notice regarding any non-renewal, termination, invalidation or cancellation of any Company Insurance Policy.

3.23 *Related Person Transactions.* Except for indemnification, compensation or other employment arrangements in the ordinary course of business, there are no Contracts or transactions between the Company Group, on the one hand, and any Affiliate (including any director or officer) thereof, but not including any Subsidiary of the Company, on the other hand, that would be required to be

disclosed pursuant to Item 404 of Regulation S-K promulgated by the SEC in the Company's Form 10-K or proxy statement pertaining to an annual meeting of stockholders that has not been so disclosed.

3.24 *Brokers.* Except for the Advisor, Citizens Capital Markets & Advisory and Oaklins DeSilva +Phillips, there is no financial advisor, investment banker, broker, finder, agent or other Person that is entitled to any financial advisor's, investment banking, brokerage, finder's or other fee or commission in connection with the Merger based upon arrangements made by or on behalf of the Company Group.

3.25 *Trade Controls; Anti-Corruption Laws.*

(a) *Trade Controls.*

- (i) Since January 1, 2023, the Company Group has conducted its transactions in material accordance with all applicable export and re-export control laws, trade and economic sanctions laws, and all other applicable export control and sanctions laws in other countries in which the Company Group conducts business (collectively, "**Trade Control Laws**").
- (ii) To the Knowledge of the Company, as of the date of this Agreement, there are no pending or threatened Legal Proceedings against the Company Group alleging a violation of any sanctions and export control laws or anti-corruption laws that are applicable to the Company Group.
- (iii) No licenses or approvals pursuant to the Trade Control Laws are necessary for the transfer of any export licenses or other export approvals to Parent or the Surviving Corporation in connection with the consummation of the Merger, except for any such licenses or approvals the failure of which to obtain would not have a Company Material Adverse Effect.
- (iv) Since January 1, 2023, (i) neither the Company nor any of its Subsidiaries has been a Sanctioned Person; (ii) neither the Company nor any of its Subsidiaries has been organized, resident or located in a Sanctioned Country; (iii) neither the Company nor any of its Subsidiaries has knowingly conducted any business with any Sanctioned Person or in any Sanctioned Country in violation of applicable trade control laws; and (iv) the Company Group has been in compliance in all material respects with all applicable sanctions, export control, import control and anti-boycott laws.
- (v) For purposes of this Section, "**Sanctioned Country**" means any country or territory that is, or whose government is, the subject or target of comprehensive Sanctions administered or enforced by a Sanctions Authority. "**Sanctioned Person**" means any Person that is: (a) the subject or target of Sanctions, including by reason of being listed on any sanctions- or restricted-party list maintained by a Sanctions Authority; (b) organized, resident or located in a Sanctioned Country; or (c) owned or controlled, directly or indirectly, 50% or more, individually or in the aggregate, by one or more Persons described in clause (a) or clause (b). "**Sanctions**" means economic or financial sanctions, trade embargoes, asset-freeze measures and related restricted-party measures administered, enacted or enforced by a Sanctions Authority. "**Sanctions Authority**" means the United States government, including the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Department of State and the U.S. Department of Commerce; the United Nations Security Council; the European Union; His Majesty's Treasury of the United Kingdom; and any other applicable Governmental Authority that administers or enforces Sanctions.

(b) *Anti-Corruption laws.* Except as would not be material to the Company Group, taken as a whole, since January 1, 2023, none of the Company Group, or to the Knowledge of the Company, any officer, director, agent, employee or other Person acting on its behalf, has, directly or indirectly, (i) violated any anti-corruption laws; (ii) directly or indirectly made, offered, authorized, promised, solicited or received any unlawful bribe, kickback, payoff, influence payment or other unlawful payment in violation of the FCPA or any anti-corruption laws; (iii) taken or failed to take any action that would cause the Company or any of its Subsidiaries to be in violation of any provision of the Foreign Corrupt Practices Act of 1977 (the “FCPA”) or other applicable anti-corruption laws in other countries in which the Company Group conducts business; or (iv) used any corporate funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity.

3.26 *No Reliance.* The Company, on behalf of itself and its Subsidiaries, acknowledges and agrees that, except for the representations and warranties expressly set forth in Article IV, it is not acting (including, as applicable, by entering into this Agreement or consummating the Merger) in reliance on:

- (a) any representation or warranty, express or implied;
- (b) any estimate, projection, prediction, data, financial information, memorandum, presentation or other materials or information provided or addressed to the Company or any of its Affiliates, in connection with presentations by or discussions with Parent’s management whether prior to or after the date of this Agreement or in any other forum or setting; or
- (c) the accuracy or completeness of any other representation, warranty, estimate, projection, forecast, prediction, data, financial information, forward-looking statement, memorandum, presentation or other materials or information.

3.27 *Information Supplied.* None of the information supplied or to be supplied by or on behalf of the Company specifically for inclusion or incorporation by reference in the Form S-4 (including the Proxy Statement contained therein) will, at the time the Form S-4 is declared effective under the Securities Act, and none of such information supplied by or on behalf of the Company specifically for inclusion or incorporation by reference in the Proxy Statement contained in the Form S-4 will, at the date such Proxy Statement is first mailed to the Company’s stockholders or at the time of the Company Stockholder Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading. Notwithstanding the foregoing, the Company makes no representation or warranty with respect to any information supplied by or on behalf of Parent or Merger Sub for inclusion or incorporation by reference in the Form S-4 or Proxy Statement.

3.28 *Transaction Expenses.* Section 3.28 of the Company Disclosure Letter sets forth the Company’s good faith estimate, as of the date of this Agreement, of the aggregate Company Transaction Expenses expected to be incurred in connection with the Transactions (the “**Transaction Expense Estimate**”). The Transaction Expense Estimate has been prepared in good faith based on information available to the Company as of the date of this Agreement and reflects the Company’s reasonable expectations as of such date. The Company makes no representation or warranty that actual Company Transaction Expenses will not exceed the Transaction Expense Estimate, and the Transaction Expense Estimate shall not constitute a cap, ceiling or limitation on the Company Transaction Expenses that may be incurred by the Company in connection with the Transactions.

Article IV
REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUB

With respect to any Section of this Article IV, except (a) as disclosed in the reports, statements and other documents filed by Parent with the SEC or furnished by Parent to the SEC, in each case pursuant to the Exchange Act on or after January 1, 2024, and prior to the date of this Agreement (other than any disclosures contained or referenced therein under the captions “Risk Factors,” “Forward- Looking Statements,” “Quantitative and Qualitative Disclosures About Market Risk” and any other disclosures contained or referenced therein of information, factors or risks that are predictive, cautionary or forward-looking in nature) (the “**Parent Recent SEC Reports**”) (it being understood that (i) any matter disclosed in any Parent Recent SEC Report will be deemed disclosed only with respect to the particular representation or warranty to which such disclosure is specifically applicable and only to the extent the applicability of such disclosure to such representation or warranty is reasonably apparent on the face of such disclosure, and (ii) this clause (a) shall not apply to Section 4.1, Section 4.2, Section 4.3, Section 4.4, Section 4.5, Section 4.10(b), Section 4.14 and Section 4.21(b)), Parent and Merger Sub hereby represent and warrant to the Company as follows:

4.1 Organization; Good Standing.

(a) *Parent.* Parent (a) is a corporation duly organized, validly existing and in good standing pursuant to the DGCL; and (b) has the requisite corporate power and authority to conduct its business as it is presently being conducted and to own, lease or operate its properties and assets. Parent is duly qualified to do business and is in good standing in each jurisdiction where the character of its properties owned or leased or the nature of its activities make such qualification necessary (to the extent that the concept of “good standing” is applicable in the case of any jurisdiction outside the United States), except where the failure to be so qualified or in good standing would not have a material adverse effect. Parent has made available to the Company true, correct and complete copies of its certificate of incorporation, bylaws and other similar organizational documents, each as amended to date, and Parent is not in violation of such organizational documents.

(b) *Merger Sub.* Merger Sub (a) is a corporation duly organized, validly existing and in good standing pursuant to the DGCL; and (b) has the requisite corporate power and authority to conduct its business as it is presently being conducted and to own, lease or operate its properties and assets. Merger Sub is duly qualified to do business and is in good standing in each jurisdiction where the character of its properties owned or leased or the nature of its activities make such qualification necessary (to the extent that the concept of “good standing” is applicable in the case of any jurisdiction outside the United States), except where the failure to be so qualified or in good standing would not have a material adverse effect. Merger Sub has made available to the Company true, correct and complete copies of its certificate of incorporation, bylaws and other similar organizational documents, each as amended to date, and Merger Sub is not in violation of such organizational documents.

4.2 Power; Enforceability. Each of Parent and Merger Sub has the requisite power and authority to (a) execute and deliver this Agreement; (b) perform its covenants and obligations hereunder; and (c) consummate the Transactions. The execution and delivery of this Agreement by each of Parent and Merger Sub, the performance by each of Parent and Merger Sub of its respective covenants and obligations hereunder and the consummation of the Transactions have been duly authorized by all necessary action on the part of each of Parent and Merger Sub and no additional actions on the part of Parent or Merger Sub are necessary to authorize (i) the execution and delivery of this Agreement by each of Parent and Merger Sub; (ii) the performance by each of Parent and Merger Sub of its respective covenants and obligations hereunder; or (iii) assuming the truth of the following sentence, the consummation of the Merger (other than the filing with the Secretary of State of the State of Delaware of the Certificate of Merger as required by the DGCL). Effective immediately following the execution and delivery of this Agreement, Parent, in its capacity as the sole stockholder of Merger Sub, will execute and deliver to Merger Sub (with a copy also sent to the Company) a written consent adopting this Agreement and approving the Merger in accordance with the DGCL. This Agreement has been duly executed and

delivered by each of Parent and Merger Sub and, assuming the due authorization, execution and delivery by the Company, constitutes a legal, valid and binding obligation of each of Parent and Merger Sub, enforceable against each of Parent and Merger Sub in accordance with its terms except as such enforceability (A) may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting or relating to creditors' rights generally; and (B) is subject to general principles of equity.

4.3 *Non-Contravention.* The execution and delivery of this Agreement by each of Parent and Merger Sub, the performance by each of Parent and Merger Sub of their respective covenants and obligations hereunder, and the consummation of the Transactions do not (a) violate or conflict with any provision of the certificate of incorporation, bylaws or other similar organizational documents of Parent or Merger Sub; (b) violate, conflict with, result in the breach of, constitute a default (or an event that, with notice or lapse of time or both, would become a default) pursuant to, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration pursuant to any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which Parent or Merger Sub is a party or by which Parent, Merger Sub or any of their properties or assets may be bound; (c) assuming that all Consents described in Section 4.4 have been obtained or made, and any waiting periods thereunder have terminated or expired prior to the Effective Time, violate or conflict with any law or order applicable to Parent or Merger Sub or by which any of their properties or assets are bound; or (d) result in the creation of any lien (other than Permitted Liens) upon any of the properties or assets of Parent or Merger Sub, except in the case of each of clauses (b), (c) and (d) for such violations, conflicts, breaches, defaults, terminations, accelerations or liens that would not have a Parent Material Adverse Effect.

4.4 *Requisite Governmental Approvals.* No Consent of any Governmental Authority, including under any Antitrust Law, is required on the part of Parent, Merger Sub or any of their Affiliates (a) in connection with the execution and delivery of this Agreement by each of Parent and Merger Sub; (b) the performance by each of Parent and Merger Sub of their respective covenants and obligations pursuant to this Agreement; or (c) the consummation of the Transactions, except (i) the filing of the Certificate of Merger with the Secretary of State of the State of Delaware and such filings with Governmental Authorities to satisfy the applicable laws of states in which the Company Group is qualified to do business; (ii) such filings and approvals as may be required by any federal or state securities laws, including compliance with any applicable requirements of the Exchange Act; (iii) the rules of NASDAQ, and (iv) such other Consents the failure of which to obtain would not have a Parent Material Adverse Effect.

4.5 *Parent Capitalization.*

(a) *Capital Stock.* The authorized capital stock of Parent consists of 20,000,000 shares of Parent Common Stock and 10,000,000 shares of Parent Preferred Stock (collectively, the "**Parent Capital Stock**"). As of the Capitalization Date, (i) 5,400,386 shares of Parent Common Stock were issued and outstanding; (ii) 3,686,711 shares of Parent Common Stock were outstanding; (ii) 1,713,675 shares of Parent Common Stock were held by Parent as treasury shares; and (iii) 2,775,741 shares of Parent Preferred Stock were issued and 2,454,886 shares of Parent Preferred Stock were outstanding. All outstanding shares of Parent Common Stock and Parent Preferred Stock have been validly issued, fully paid, nonassessable and free of any preemptive rights. From the close of business on the Capitalization Date to the date of this Agreement, other than the issuance and/or vesting of restricted stock units or restricted stock, Parent has not issued or granted any Parent Securities.

(b) *Parent Preferred Stock.* The Parent Preferred Stock to be issued as Preferred Stock Consideration has been duly authorized and, when issued and delivered in accordance with the terms of this Agreement and the Certificate of Designations, will be validly issued, fully paid and nonassessable, free and clear of all liens, other than restrictions on transfer arising under applicable securities laws or the organizational documents of Parent.

(c) *Authorization and Reservation.* Parent has, or prior to the Effective Time will have, authorized and reserved for issuance a sufficient number of shares of Parent Preferred Stock to pay the Preferred Stock Consideration in accordance with Article II. The issuance of the Parent Preferred Stock as Preferred Stock Consideration has been duly authorized by all necessary corporate action on the part of Parent.

(d) *Other Rights.* Parent is not a party to any Contract relating to the voting of, requiring registration of, or granting any preemptive rights, anti-dilutive rights or rights of first refusal or other similar rights with respect to any Parent Securities.

4.6 *Subsidiaries.*

(a) *Capital Stock of Subsidiaries.* All of the outstanding capital stock of, or other equity or member or voting interest in, each Subsidiary of Parent (i) has been duly authorized, validly issued and is fully paid and nonassessable (to the extent such concepts are applicable to such Subsidiary); and (ii) except for director's qualifying or similar shares, is owned, directly or indirectly, by Parent, free and clear of all liens (other than Permitted Liens) and any other restriction (including any restriction on the right to vote, sell or otherwise dispose of such capital stock or other equity or voting interest) that would prevent such Subsidiary from conducting its business as of the Effective Time in substantially the same manner that such business is conducted on the date of this Agreement.

(b) *Other Securities of Subsidiaries.* There are no outstanding (i) securities convertible into or exchangeable or exercisable for shares of capital stock of, or other equity or voting interest in, any Subsidiary of Parent; (ii) options, warrants or other rights or arrangements obligating Parent or its Affiliates to acquire from any Subsidiary of Parent, or that obligate any Subsidiary of Parent to issue, any capital stock of, or other equity or voting interest in, or any securities convertible into or exchangeable for, shares of capital stock of, or other equity or voting interest (including any voting debt) in, any Subsidiary of Parent; or (iii) obligations of any Subsidiary of Parent to grant, extend or enter into any subscription, warrant, right, convertible or exchangeable security, or other similar Contract relating to any capital stock of, or other equity or voting interest (including any voting debt) in, such Subsidiary to any Person other than Parent or one of its Subsidiaries.

(c) *Other Investments.* Other than equity securities held in the ordinary course of business for cash management purposes, Parent does not own or hold the right to acquire any equity securities, ownership interests or voting interests (including voting debt) of, or securities exchangeable or exercisable therefor, or investments in, any other Person.

4.7 *Parent SEC Reports.* Since January 1, 2024, Parent has filed all forms, reports and documents with the SEC that have been required to be filed by it pursuant to applicable laws prior to the date of this Agreement (the "**Parent SEC Reports**"). Each Parent SEC Report complied, as of its effective date (in the case of Parent SEC Reports that are registration statements filed pursuant to the requirements of the Securities Act) or filing date (in the case of all other applicable Parent SEC Reports) (or, if amended or superseded by a filing prior to the date of this Agreement, as of the date of the last such amendment or superseded filing), in all material respects with the applicable requirements of the Securities Act or the Exchange Act, as the case may be, each as in effect on the date that such Parent SEC Report was filed. True, correct and complete copies of all Parent SEC Reports are publicly available in the Electronic Data Gathering, Analysis and Retrieval database of the SEC. As of its filing date (or, if amended or superseded by a filing prior to the date of this Agreement, on the date of such amended or superseded filing), each Parent SEC Report did not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. As of the date of this Agreement, there are no outstanding or unresolved comments in comment letters received from the SEC with respect to the Parent SEC Reports.

4.8 *Parent Financial Statements; Internal Controls; Indebtedness.*

(a) *Parent Financial Statements.* The consolidated financial statements (including any related notes and schedules) of the Parent Group filed with the Parent SEC Reports (i) were prepared in accordance with GAAP (except as may be indicated in the notes thereto or as otherwise permitted by Form 10-Q with respect to any financial statements filed on Form 10-Q); and (ii) fairly present (except as may be indicated in the notes thereto and subject in the case of unaudited statements to normal, year-end audit adjustments), in all material respects, the consolidated financial position of the Parent Group as of the dates thereof and the consolidated results of operations and cash flows for the periods then ended. There are no unconsolidated Subsidiaries of the Parent or any off-balance sheet arrangements of the type required to be

disclosed pursuant to Item 303(a)(4) of Regulation S-K promulgated by the SEC that have not been so disclosed in the Parent SEC Reports.

(b) *Disclosure Controls and Procedures.* Parent has established and maintains “disclosure controls and procedures” (as defined pursuant to Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Exchange Act). Parent’s disclosure controls and procedures are reasonably designed to ensure that all (i) material information required to be disclosed by the Parent in the reports and other documents that it files or furnishes pursuant to the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC; and (ii) such material information is accumulated and communicated to the Parent’s management as appropriate to allow timely decisions regarding required disclosure and to make the certifications required pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act.

(c) *Internal Controls.* Parent has established and maintains a system of “internal control over financial reporting” (as defined pursuant to Rule 13a-15(f) and Rule 15d-15(f) promulgated under the Exchange Act) sufficient to provide reasonable assurance (i) that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, including policies and procedures that require the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Parent Group; (ii) that transactions are made only in accordance with appropriate authorizations of the Parent’s management and the Parent board of directors (or a committee thereof); and (iii) regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets of the Parent Group. Parent’s management has completed an assessment of the effectiveness of the Parent’s internal control over financial reporting in compliance with the requirements of Section 404(a) of the Sarbanes-Oxley Act for the fiscal year ended December 31, 2025, and such assessment concluded that such system was effective. Since January 1, 2024, the principal executive officer and principal financial officer of the Parent have made all certifications required by the Sarbanes-Oxley Act. Neither the Parent nor its principal executive officer or principal financial officer has received notice from any Governmental Authority challenging or questioning the accuracy, completeness, form or manner of filing of such certifications. Neither the Parent nor, to the knowledge of the Parent, the Parent’s independent registered public accounting firm has identified or been made aware of (A) any significant deficiency or material weakness in the system of internal control over financial reporting utilized by the Parent Group that has not been subsequently remediated; or (B) any fraud that involves the Parent’s management or other employees who have a role in the preparation of financial statements or the internal control over financial reporting utilized by the Parent Group.

4.9 *No Undisclosed Liabilities.* Neither the Parent nor any of its Subsidiaries has any liabilities of a nature required to be reflected or reserved against on a balance sheet (or the notes thereto) prepared in accordance with GAAP, other than liabilities (a) reflected or otherwise reserved against in the audited balance sheet of Parent dated as of December 31, 2025 contained in the Parent SEC Documents filed prior to the date hereof or in the consolidated financial statements of the Parent Group (including the notes thereto) included in the Parent SEC Reports filed prior to the date of this Agreement; (b) arising pursuant to or incurred as expressly permitted or expressly contemplated by this Agreement or incurred in connection with the Transactions; (c) incurred in the ordinary course of business since March 31, 2026; or (d) that would not have a Parent Material Adverse Effect.

4.10 *Absence of Certain Changes.* Except as otherwise contemplated, required or permitted by this Agreement, since December 31, 2025 through the date of this Agreement, (a) the business of the Parent Group has been conducted, in all material respects, in the ordinary course of business (except with respect to this Agreement and discussions, negotiations and transactions related hereto) and (b) there has not occurred a Parent Material Adverse Effect.

4.11 *Permits; Compliance with Laws.*

(a) Except as would not have a Parent Material Adverse Effect, (i) the Parent Group holds, to the extent legally required, all permits, licenses, variances, clearances, consents, commissions, franchises, exemptions, orders and approvals from Governmental Authorities (“**Parent Permits**”) that are required for the operation of the business of the Parent Group as currently conducted; (ii) the Parent Group complies with the terms of all such Parent Permits; and

(iii) as of the date of this Agreement, no suspension or cancellation of any such Parent Permit is pending or, to the Knowledge of the Parent, threatened.

(b) The Parent Group is, and since January 1, 2024 has been, in compliance in all material respects with all laws and orders that are applicable to the Parent Group or to the conduct of the business or operations of the Parent Group, except for noncompliance that has not had and would not have a Parent Material Adverse Effect.

4.12 *Legal Proceedings; Orders.*

(a) *No Legal Proceedings.* As of the date hereof, there are no Legal Proceedings pending or, to the Knowledge of the Parent, threatened against the Parent Group, except for those that are not, individually or in the aggregate, reasonably likely to have a Parent Material Adverse Effect.

(b) *No Orders.* As of the date hereof, the Parent Group is not subject to any material order of any kind or nature issued by any Governmental Authority that would reasonably be expected to prevent or materially delay the consummation of the Transactions or the ability of the Parent to fully perform its covenants and obligations pursuant to this Agreement.

4.13 *Ownership of Company Capital Stock.* None of Parent, Merger Sub or any of their respective directors, officers, general partners, managers or, to the knowledge of Parent, any employees of Parent or Merger Sub (a) has owned any shares of Company Capital Stock during the two years prior to the date of this Agreement; or (b) is or has been at any time during the past three years an "interested stockholder" (as defined in Section 203 of the DGCL) of the Company.

4.14 *Brokers.* There is no financial advisor, investment banker, broker, finder, agent or other Person who is entitled to any financial advisor's, investment banking, brokerage, finder's or other fee or commission in connection with the Transactions based upon arrangements made by or on behalf of Parent, Merger Sub or any of their Affiliates.

4.15 *Operations of Parent and Merger Sub.* Merger Sub has been formed solely for the purpose of engaging in the Transactions, and, prior to the Effective Time, Merger Sub will not have engaged in any other business activities and will have incurred no liabilities or obligations other than as contemplated by any agreements or arrangements entered into in connection with this Agreement. Parent owns beneficially and of record all of the outstanding capital stock of, and other equity and voting interest in, Merger Sub free and clear of all liens.

4.16 *No Parent Vote or Approval Required.* No vote or consent of the members or holders of any capital stock of, or other equity or voting interest in, Parent is necessary to adopt this Agreement and consummate the Merger. The vote or consent of Parent, as the sole stockholder of Merger Sub, is the only vote or consent of the holders of any capital stock of, or other equity interest in, Merger Sub necessary to adopt this Agreement and consummate the Merger.

4.17 *Stockholder and Management Arrangements.* As of the date of this Agreement, neither Parent nor Merger Sub nor any of their respective Affiliates is a party to any Contract, or has authorized, made or entered into or committed or agreed to enter into any formal or informal arrangements or other understandings (whether or not binding) with any stockholder, director, officer, employee or other Affiliate of the Company Group (a) relating to (i) this Agreement or the Transactions; or (ii) the Surviving Corporation or any of its Subsidiaries, businesses or operations (including as to continuing employment) from and after the Effective Time; or (b) pursuant to which any (i) such holder of Company Common Stock would be entitled to receive consideration of a different amount or nature than the Merger Consideration in respect of such holder's shares of Company Common Stock; (ii) such holder of Company Common Stock has agreed to approve this Agreement or vote against any Superior Proposal except for the Voting and Support Agreements; or (iii) such stockholder, director, officer, employee or other Affiliate of the Company has agreed to provide, directly or indirectly, equity investment to Parent, Merger Sub or the Company to finance any portion of the Merger.

4.18 *Financing.*

(a) *Sufficiency of Financing.* Parent and Merger Sub have, and at the Closing will have (assuming that (i) the Debt Financing has been provided and the proceeds thereof made available to Parent prior to (or at) the Closing, or (ii) Alternative Debt Financing has been secured by Parent), sufficient cash on hand and/or other immediately available funds to (a) pay all

amounts required to be paid by Parent or Merger Sub pursuant to Article II, (b) repay, prepay, discharge or otherwise satisfy all Indebtedness of the Company and its Subsidiaries required to be repaid, prepaid, discharged or satisfied at the Closing, (c) pay all fees and expenses required to be paid by Parent or Merger Sub in connection with the Transactions, and (d) consummate the Transactions.

(b) *No Exclusive Arrangements.* As of the date of this Agreement, none of Parent, Merger Sub or any of their respective Affiliates has entered into any Contract, arrangement or understanding (i) awarding any agent, broker, investment banker or financial advisor any financial advisory role on an exclusive basis in connection with the Transactions; or (ii) expressly prohibiting any bank, investment bank or other potential provider of debt financing from providing or seeking to provide debt financing or financial advisory services to any Person in connection with a transaction relating to the Company Group in connection with the Transactions.

4.19 *Solvency.* Neither Parent nor Merger Sub is entering into this Agreement with the actual intent to hinder, delay or defraud either present or future creditors of the Company or any of its Subsidiaries. As of the Effective Time and immediately after giving effect to the Transactions (including the payment of all amounts payable pursuant to Article II in connection with or as a result of the Merger and all related fees and expenses of Parent, Merger Sub, the Company and their respective Subsidiaries in connection therewith), (a) the amount of the “fair saleable value” of the assets of each of Parent and the Surviving Corporation and its Subsidiaries will exceed (i) the value of all liabilities of Parent or the Surviving Corporation and such Subsidiaries, as applicable, including contingent and other liabilities; and (ii) the amount that will be required to pay the probable liabilities of each of Parent or the Surviving Corporation and its Subsidiaries, as applicable, on their existing debts (including contingent liabilities) as such debts become absolute and matured; (b) each of Parent or the Surviving Corporation and its Subsidiaries, as applicable, will not have an unreasonably small amount of capital for the operation of the businesses in which it is engaged or proposed to be engaged; and (c) each of Parent or the Surviving Corporation and its Subsidiaries, as applicable, will be able to pay its liabilities, including contingent and other liabilities, as they mature. For purposes of the foregoing, “not have an unreasonably small amount of capital for the operation of the businesses in which it is engaged or proposed to be engaged” and “able to pay its liabilities, including contingent and other liabilities, as they mature” means that such Person will be able to generate enough cash from operations, asset dispositions or refinancing, or a combination thereof, to meet its obligations as they become due.

4.20 *Information Supplied.* None of the information supplied or to be supplied by or on behalf of Parent or Merger Sub specifically for inclusion or incorporation by reference in the Form S-4 (including the Proxy Statement contained therein) will, at the time the Form S-4 is declared effective under the Securities Act, and none of such information supplied by or on behalf of Parent or Merger Sub specifically for inclusion or incorporation by reference in the Proxy Statement contained in the Form S-4 will, at the date such Proxy Statement is first mailed to the Company’s stockholders or at the time of the Company Stockholder Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading. Notwithstanding the foregoing, neither Parent nor Merger Sub makes any representation or warranty with respect to any information supplied by or on behalf of the Company for inclusion or incorporation by reference in the Form S-4 or proxy statement/prospectus.

4.21 *Exclusivity of Representations and Warranties.*

(a) *No Other Representations and Warranties.* Each of Parent and Merger Sub, on behalf of itself and its Subsidiaries, acknowledges and agrees that, except for the representations and warranties expressly set forth in Article III:

- (i) the Company Group has not made any representation or warranty relating to the Company Group or its businesses, operations or otherwise in connection with this Agreement or the Transactions;
- (ii) no Person has been authorized by the Company Group or any of its Affiliates or Representatives to make any representation or warranty relating to the Company Group or its businesses or operations or otherwise in connection with this Agreement or the Transactions, and if

made, such representation or warranty must not be relied upon by Parent, Merger Sub or any of their respective Affiliates or Representatives as having been authorized by the Company Group or any of its Affiliates or Representatives (or any other Person); and

- (iii) the representations and warranties made by the Company in this Agreement are in lieu of and are exclusive of all other representations and warranties, including any express or implied or as to merchantability or fitness for a particular purpose, and the Company hereby disclaims any other or implied representations or warranties, notwithstanding the delivery or disclosure to Parent, Merger Sub or any of their respective Affiliates or Representatives of any documentation or other information (including any financial information, supplemental data or financial projections or other forward-looking statements).

(b) *No Reliance.* Each of Parent and Merger Sub, on behalf of itself and its Subsidiaries, acknowledges and agrees that, except for the representations and warranties expressly set forth in Article III, it is not acting (including, as applicable, by entering into this Agreement or consummating any of the Transactions) in reliance on:

- (i) any representation or warranty, express or implied;
- (ii) any estimate, projection, forecast, prediction, forward-looking statement, financial information, memorandum, presentation or other materials or information provided or addressed to Parent, Merger Sub or any of their respective Affiliates or Representatives, including any materials or information made available in the electronic data room hosted by or on behalf of the Company in connection with the Transactions, in connection with presentations by or discussions with the Company's management or in any other forum or setting; or
- (iii) the accuracy or completeness of any other representation, warranty, estimate, projection, forecast, prediction, forward-looking statement, financial information, memorandum, presentation or other materials or information.

(c) *Investigation.* Each of Parent and Merger Sub acknowledges that it has had the opportunity to conduct an independent investigation regarding the Company. Nothing in this subsection (c) is intended to modify or limit in any respect any of the representations or warranties of the Company in Article III.

Article V INTERIM OPERATIONS OF THE COMPANY

5.1 *Affirmative Obligations.* Except (a) as expressly contemplated or expressly permitted by this Agreement; (b) as set forth in Section 5.1 or Section 5.2 of the Company Disclosure Letter; (c) as required by applicable law or any binding order issued by a Governmental Authority of competent jurisdiction; or (d) as approved by Parent in writing (which approval will not be unreasonably withheld, conditioned or delayed), at all times during the period commencing with the execution and delivery of this Agreement and continuing until the earlier to occur of the termination of this Agreement pursuant to Article VIII and the Effective Time, the Company will, and will cause each of its Subsidiaries to (i) maintain its existence in good standing under the laws of its incorporation or formation; (ii) subject to the restrictions and exceptions set forth in Section 5.2 or elsewhere in this Agreement, conduct its business and operations in the ordinary course of business; and (iii) (A) preserve intact its assets, properties, Contracts or other legally binding understandings, licenses and business organizations; (B) keep available the services of its current officers and key employees; and (C) preserve the current relationships with material customers, suppliers, distributors, lessors, licensors, licensees, creditors, contractors and other Persons with which the Company Group has business relations.

5.2 *Forbearance Covenants.* Except (i) as expressly contemplated or permitted by this Agreement; (ii) as set forth in Section 5.2 of the Company Disclosure Letter; (iii) as required by applicable law or any binding order issued by a Governmental Authority of competent jurisdiction; or (iv) as approved by Parent (which approval will not be unreasonably withheld, conditioned or delayed), at all times during the period commencing with the execution and delivery of this Agreement and continuing until the earlier to occur of the termination of this Agreement pursuant to Article VIII and the Effective Time, the Company will not, and will not permit any of its Subsidiaries, to:

- (a) amend the Charter, the Bylaws or any other similar organizational document;
- (b) propose or adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization;
- (c) except for (A) grants of Company Equity Awards permitted pursuant to Section 5.2(i) below or (B) issuances of Company Securities on exercise or settlement of Company Equity Awards pursuant to the terms and conditions of Company Equity Awards, issue, sell, deliver or agree or commit to issue, sell or deliver (whether through the issuance or granting of options, warrants, commitments, subscriptions, rights to purchase or otherwise) any Company Securities;
- (d) directly or indirectly acquire, repurchase or redeem any securities, except for (A) repurchases of Company Securities pursuant to the terms and conditions of Company Equity Awards, or (B) transactions between the Company and any of its direct or indirect Subsidiaries;
- (e) (A) adjust, split, combine or reclassify any shares of capital stock, or issue or authorize or propose the issuance of any other Company Securities in respect of, in lieu of or in substitution for, shares of its capital stock or other equity or voting interest; (B) declare, set aside or pay any dividend or other distribution (whether in cash, shares or property or any combination thereof) in respect of any shares of capital stock or other equity or voting interest, or make any other actual, constructive or deemed distribution in respect of the shares of capital stock or other equity or voting interest, except for cash dividends made by any direct or indirect wholly owned Subsidiary of the Company to the Company or one of its other wholly owned Subsidiaries; (C) pledge or encumber any shares of its capital stock or other equity or voting interest; or (D) modify the terms of any shares of its capital stock or other equity or voting interest;
- (f) (A) incur, assume or suffer any Indebtedness for borrowed money (including any long-term or short-term debt) or issue any debt securities, except (1) for trade payables incurred in the ordinary course of business by the Company Group; (2) for loans or advances to direct or indirect wholly owned Subsidiaries of the Company; (3) letters of credit, bank guarantees, security or performance bonds or similar credit support instruments, overdraft facilities or cash management programs, in each case issued, made or entered into in the ordinary course of business by the Company Group; (4) Indebtedness incurred under the ABL Loan Agreement (as the same may be amended by ABL Loan Agreement Amendment) or other existing arrangements (including in respect of letters of credit) in respect of the Debt Financing or in the ordinary course of business to support ordinary course working capital needs of the Company Group or capital expenditures to the extent permitted by Section 5.2(m); *provided* that in no event shall any such Indebtedness or arrangement, together with all amounts outstanding under the ABL Loan Agreement, exceed the aggregate amount specified on Section 5.2(f) of the Company Disclosure Letter; and (5) other Indebtedness in an aggregate principal amount not to exceed \$750,000; (B) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other Person, except with respect to obligations of direct or indirect wholly owned Subsidiaries of the Company and except for any indemnification and advancement obligations under the Charter, Bylaws, comparable organizational document of any Subsidiary of the Company or indemnification agreements with the Company Group;
- (g) make any loans, advances or capital contributions to, or investments in, any other Person, except for (A) extensions of credit to customers in the ordinary course of business; (B) advances to directors, officers and other employees for travel and other business-related expenses,

in each case in the ordinary course of business and in compliance in all material respects with the Company's policies related thereto; (C) advancement obligations under the Charter, Bylaws, comparable organizational document of any Subsidiary of the Company or indemnification agreements with the Company Group; and (D) loans, advances or capital contributions to, or investments in, direct or indirect wholly owned Subsidiaries of the Company;

(h) acquire, lease, license (other than non-exclusive licenses in the ordinary course of business), sell, abandon (except in the ordinary course of business), transfer, assign, guarantee, exchange, mortgage, pledge or otherwise encumber any assets, tangible or intangible, or create any lien thereupon, in each case in excess of \$250,000 individually, or \$500,000 in the aggregate in the case of acquisitions and \$250,000 in the aggregate in the case of dispositions, other than: (A) the sale, lease or licensing of equipment, products or services of the Company Group in the ordinary course of business; (B) the acquisition of inventory (including, for avoidance of doubt, any raw materials, ingredients, components, packaging materials, labels and all other materials and supplies), in the ordinary course of business; (C) any capital expenditures permitted (or consented to by Parent) under Section 5.2(m); (D) in connection with financing transactions permitted (or consented to by Parent) under Section 5.2(f); (E) dispositions of obsolete or worthless personal property in the ordinary course of business which have no fair market value in the good faith determination of the Company; or (F) Permitted Liens;

(i) except as required by the terms of an Employee Plan: (A) enter into, adopt, amend, terminate or materially increase the coverage or benefits available under any Employee Plan or any compensation or benefit plan, program, arrangement or agreement that would constitute an Employee Plan if in effect on the date of this Agreement (other than changes made in the ordinary course of business in connection with annual renewals of group welfare benefits); (B) increase the compensation or other benefits payable or provided to any current or former director, officer, employee or independent contractor of the Company Group, pay any special bonus or other non-ordinary-course compensation or benefit, or grant any new pension, severance, retention, transaction, change in control or similar benefit; (C) enter into, amend or waive any employment, consulting, independent contractor, severance, retention, transaction bonus, change in control or similar compensatory agreement with any current or former employee, officer, director or independent contractor, other than (x) at-will offer letters entered into with newly hired employees in the ordinary course of business consistent with this Agreement or (y) consulting agreements that are terminable without liability upon not more than thirty (30) days' notice; (D) accelerate, or commit to accelerate, the funding, vesting or payment of any compensation, benefits or Company Equity Awards; (E) grant any Company Equity Awards or any other equity-based compensation; (F) hire or engage any employee or independent contractor with annual compensation in excess of \$150,000 except that, in the event the Company proposes to hire any such individual to replace an employee whose employment has terminated following the date of this Agreement, the Company shall consult with Parent in advance regarding such hiring; (G) promote, terminate without cause, furlough or temporarily lay off any employee whose annual compensation exceeds \$150,000 or any officer of the Company Group; provided that, if any such employee or officer ceases to be employed by the Company Group following the date of this Agreement, the Company shall consult with Parent regarding any proposed replacement for such employee or officer prior to hiring or engaging such replacement; or (H) enter into any agreement to employ or engage contingent workers outside of the ordinary course of business;

(j) settle, release, waive or compromise any pending or threatened Legal Proceeding or other claim, except for the settlement of any Legal Proceedings or other claim that is (A) reflected or reserved against in the most recent consolidated balance sheet of the Company Group included in the Company SEC Reports filed prior to the date hereof; (B) for solely monetary payments of no more than \$100,000 individually and \$250,000 in the aggregate; (C) settled in compliance with Section 5.2(l) or Section 6.12; (D) in favor of the Company Group in the ordinary course of business; or (E) for solely monetary payments for any Legal Proceeding that is covered by insurance (exclusive of any amounts payable in respect of any insurance deductible);

(k) except as required by applicable law, any Governmental Authority (including the Financial Accounting Standards Board or any similar organization), GAAP (or any interpretation thereof), or any rule or policy of the SEC, make any material change in any accounting principles, practices, policies or procedures of the Company Group or any of its methods of reporting income, deductions or other material items for financial accounting purposes;

(l) (A) make, other than in the ordinary course of business, or change any material Tax election; (B) settle or compromise any material Tax claim or assessment; (C) file any material amended Tax Return; or (D) enter into a closing agreement with any Governmental Authority regarding any material Tax, in each case, that would reasonably be expected to materially increase the Taxes payable by the Company Group;

(m) incur or commit to incur any capital expenditure(s), other than (A) consistent with the capital expenditure budget set forth in Section 5.2(m) of the Company Disclosure Letter, (B) in connection with the repair or replacement of facilities, properties or assets destroyed or damaged after the date hereof due to casualty or accident that are covered by insurance (exclusive of any amounts payable in respect of any insurance deductible) or (C) otherwise in an aggregate amount for all such capital expenditures made pursuant to this clause (C) not to exceed \$250,000 in the aggregate during the period from the date hereof through the Closing;

(n) enter into, modify, amend, waive any material right under, consent to any assignment of, or terminate any (A) Contract (other than a Material Contract) that, if so entered into, modified, amended or terminated, would reasonably be expected to have a Company Material Adverse Effect; (B) Material Contract; or (C) Contract that, if entered into prior to the date of this Agreement, would have constituted a Material Contract;

(o) engage in any transaction with, or enter into any agreement, arrangement or understanding with, any Affiliate of the Company or other Person covered by Item 404 of Regulation S-K promulgated by the SEC that would be required to be disclosed pursuant to Item 404;

(p) announce or implement any employee layoffs, facility closings, reductions in force, furloughs, temporary layoffs, salary or wage reductions, work schedule changes or similar actions that would reasonably be expected to trigger any notice, consultation, bargaining, consent or other requirements pursuant to the WARN Act or any similar applicable law in any jurisdiction, including the European Collective Redundancies Directive (Directive 98/59/EC), any national laws promulgated pursuant thereto, Article 298 of the Labor Code of the Philippines, the Trade Union and Labour Relations (Consolidation) Act 1992 of the United Kingdom, or any law governing collective dismissals, workplace closures, temporary layoffs or similar employment actions in Spain or any other applicable jurisdiction;

(q) waive, release, amend or otherwise modify in any material respect any noncompetition, nonsolicitation, nondisclosure, confidentiality, invention assignment or other restrictive covenant obligation owed to the Company Group by any current or former employee, independent contractor, consultant, officer or director;

(r) adopt, amend, modify or waive in any material respect any policy, program, procedure or practice relating to privacy obligations or any administrative, technical or physical safeguards relating to data privacy, cybersecurity, information security, data protection or the collection, storage, processing, use, transfer or disclosure of personal information;

(s) grant any material refunds, credits, rebates or other allowances to any end user, customer, reseller or distributor, in each case other than in the ordinary course of business;

(t) acquire (by merger, consolidation or acquisition of stock or assets) any other Person or any material equity interest therein or enter into any joint venture, legal partnership (excluding, for avoidance of doubt, strategic relationships, alliances, reseller agreements and

similar commercial relationships), limited liability company or similar arrangement with any third Person;

- (u) enter into any Collective Bargaining Agreement;
- (v) adopt or implement any stockholder rights plan or similar arrangement, in each case, applicable to the Merger or any other transaction consummated pursuant to Parent's rights under Section 5.3(e)(i)(2) or Section 5.3(e)(ii)(3); or
- (w) enter into, authorize any of, or agree or commit to enter into a Contract to take any of the actions prohibited by this Section 5.2.

5.3 No Solicitation.

(a) *Go-Shop Period.* Notwithstanding anything to the contrary set forth in this Agreement, during the period (the "**Go-Shop Period**") beginning on the date of this Agreement and continuing until 11:59 p.m., Eastern time on the date that is thirty (30) days after the date of this Agreement (the "**No-Shop Period Start Date**"), the Company and its Affiliates, directors, officers, employees, investment bankers, attorneys, accountants and other advisors or representatives (collectively, "**Representatives**") shall have the right to: (i) solicit, initiate, propose or induce the making, submission or announcement of, or knowingly encourage, facilitate or assist, any proposal or inquiry that constitutes, or is reasonably expected to lead to, an Acquisition Proposal; (ii) subject to the entry into, and in accordance with, an Acceptable Confidentiality Agreement, furnish to any Person any non-public information relating to the Company Group or afford to any Person access to the business, properties, assets, books, records or other non-public information, or to any personnel, of the Company Group, in any such case with the intent to induce the making, submission or announcement of, or to knowingly encourage, facilitate or assist, any proposal or inquiry that constitutes, or is reasonably expected to lead to, an Acquisition Proposal or any inquiries or the making of any proposal that would reasonably be expected to lead to an Acquisition Proposal, *provided, however*, that the Company will promptly (and in any event within 48 hours) provide to Parent, or provide Parent access to, any such non-public information concerning the Company Group that is provided to any such Person or its Representatives that was not previously provided to Parent or its Representatives; and (iii) participate or engage in discussions or negotiations with any Person with respect to an Acquisition Proposal. On the No-Shop Period Start Date, the Company shall notify Parent in writing of (A) the identity of each Exempted Party, (B) the number and identity of any parties with which the Company entered into an Acceptable Confidentiality Agreement and (C) the number and identity of any parties that submitted an Acquisition Proposal after the date of this Agreement and prior to the No-Shop Period Start Date, each of which notices shall include the documents and information contemplated by Section 5.3(f)(ii), Section 5.3(f)(iii) and Section 5.3(f)(iv) to the extent not previously provided to Parent.

(b) *No Solicitation or Negotiation.* Except as expressly permitted by this Section 5.3 and except in respect of an Exempted Party (but only for so long as such Person or group of Persons is an Exempted Party), from and after the No-Shop Period Start Date until the earlier to occur of the termination of this Agreement pursuant to Article VIII and the Effective Time, the Company will and will cause each of its Subsidiaries and its and their officers and directors to, and will instruct and use its commercially reasonable efforts to cause its other Representatives to, (i) cease any solicitations, discussions or negotiations with any Person that would be prohibited by this Section 5.3(b), request the prompt return or destruction of all non-public information concerning the Company Group theretofore furnished to any such Person with whom a confidentiality agreement was entered into within the six month period immediately preceding the No-Shop Period Start Date and terminate all access granted to any such Person and its Representatives to any physical or electronic data room; and (ii) until the earlier to occur of the termination of this Agreement pursuant to Article VIII and the Effective Time, not, directly or indirectly, (A) solicit, initiate, propose or knowingly induce the making, submission or announcement of, or knowingly encourage, facilitate or assist the making, submission or announcement of any proposal, inquiry or offer that constitutes, or is reasonably expected to lead to, an Acquisition Proposal; (B) furnish to any Person (other than to Parent, Merger Sub or any

designees of Parent or Merger Sub) or its Representatives (in their capacity as such) any non-public information relating to the Company Group or any Acquisition Proposal or afford to any Person or its Representatives (in their capacity as such) access to the business, properties, assets, books, records or other non-public information, or to any personnel, of the Company Group (other than Parent, Merger Sub or any designees of Parent or Merger Sub), in any such case with the intent to induce the making, submission or announcement of an Acquisition Proposal; (C) participate or engage in discussions or negotiations with any Person with respect to an Acquisition Proposal (other than informing such Persons of the provisions contained in this [Section 5.3](#)); or (D) enter into any letter of intent, memorandum of understanding, merger agreement, acquisition agreement or other Contract relating to an Acquisition Transaction, other than an Acceptable Confidentiality Agreement (any such letter of intent, memorandum of understanding, merger agreement, acquisition agreement or other Contract relating to an Acquisition Transaction, an “**Alternative Acquisition Agreement**”). From the date of this Agreement until the earlier to occur of the termination of this Agreement pursuant to [Article VIII](#) and the Effective Time, the Company will not be required to enforce, and will be permitted to waive or release, any provision of any standstill or confidentiality agreement solely to the extent that such provision has the effect of prohibiting or purports to prohibit making a confidential Acquisition Proposal to the Company Board (or any committee thereof). For avoidance of doubt, notwithstanding the expiration of the Go-Shop Period, the Company and its Representatives may continue to engage in the activities described in this [Section 5.3\(b\)](#) with respect to Persons who are Exempted Parties (but only if and for so long as such Person or group is an Exempted Party) and their Representatives, only if and for so long as the Company Board (or a committee thereof) has determined in good faith, after consultation with its financial advisor and outside legal counsel, that the failure to continue such discussions or negotiations would be inconsistent with the directors’ fiduciary duties under applicable law. In such event, the Company shall promptly (and in any event within 48 hours) provide to Parent any non-public information concerning the Company Group that is provided to any such Exempted Party or its or their Representatives that was not previously provided to Parent, and the Company shall promptly, and in any event within 48 hours, provide Parent with copies of all written proposals, indications of interest, term sheets, draft agreements, financing commitments and other material written materials provided by or on behalf of any such Exempted Party or any inquiry, proposal or offer from such Exempted Party that would reasonably be expected to lead to an Acquisition Proposal. The Company shall keep Parent reasonably informed, on a current basis and in any event within 48 hours, of any material developments, discussions or negotiations regarding any Acquisition Proposal with such Exempted Party, including any change to the financial or other material terms thereof. The provisions of [Section 5.3\(c\)](#) shall apply to an Acquisition Proposal of any Exempted Party.

(c) *Conduct Following No-Shop Period Start Date.* Notwithstanding anything set forth in this Agreement to the contrary, if, at any time following the No-Shop Period Start Date but prior to obtaining the Requisite Stockholder Approval, the Company or any of its Representatives receives an Acquisition Proposal that did not result from any material breach of this [Section 5.3](#), (i) the Company and its Representatives may contact the Person or group of Persons making the Acquisition Proposal solely to clarify the terms and conditions thereof or to request that any Acquisition Proposal made orally be made in writing; and (ii) if the Company Board (or a committee thereof) has determined in good faith (after consultation with its independent financial advisor and outside legal counsel) that such Acquisition Proposal either constitutes a Superior Proposal or would reasonably be expected to result in a Superior Proposal, then the Company and the Company Board (or a committee thereof) may, directly or indirectly through one or more of their Representatives (including the Advisor), (A) participate or engage in discussions or negotiations with the Person or group of Persons making the Acquisition Proposal and its or their Representatives regarding such Acquisition Proposal and (B) enter into an Acceptable Confidentiality Agreement with the Person or group of Persons making such Acquisition Proposal and furnish, or provide access to, pursuant to such Acceptable Confidentiality Agreement any non-public information relating to the Company Group or its businesses, properties, assets, books, records or other non-public information, or provide access to any personnel of the Company Group; *provided, however*, that the Company will promptly (and in any event within 48 hours) provide to Parent any non-public information concerning the Company Group that is provided to any such Person or group of Persons or its or their

Representatives that was not previously provided to Parent. Following the No-Shop Period Start Date, the Company shall promptly, and in any event within 48 hours, provide Parent with copies of all written proposals, indications of interest, term sheets, draft agreements, financing commitments and other material written materials provided by or on behalf of any Person making an Acquisition Proposal or any inquiry, proposal or offer that would reasonably be expected to lead to an Acquisition Proposal. Following the No-Shop Period Start Date, the Company shall keep Parent reasonably informed, on a current basis and in any event within 48 hours of any material developments, discussions or negotiations regarding any Acquisition Proposal, including any change to the financial or other material terms thereof.

(d) *No Change in Company Board Recommendation or Entry into an Alternative Acquisition Agreement.* Except as provided by Section 5.3(e), at no time after the date of this Agreement may the Company Board (or a committee thereof):

- (i) (A) withhold, withdraw, amend, qualify or modify, or publicly propose to withhold, withdraw, amend, qualify or modify, the Company Board Recommendation in a manner adverse to Parent in any material respect; (B) adopt, approve, endorse, recommend or otherwise declare advisable an Acquisition Proposal; (C) fail to publicly reaffirm the Company Board Recommendation within ten Business Days after Parent so requests in writing, which request is transmitted after any public disclosure of an Acquisition Proposal (*provided* that the Company will have no obligation to make such reaffirmation on more than two separate occasions); (D) take or fail to take any formal action or make or fail to make any recommendation or public statement in connection with a tender or exchange offer, other than a recommendation against such offer or a “stop, look and listen” communication by the Company Board (or a committee thereof) to the Company Stockholders pursuant to Rule 14d-9(f) promulgated under the Exchange Act (or any substantially similar communication) (it being understood that the Company Board (or a committee thereof) may refrain from taking a position with respect to an Acquisition Proposal until the close of business on the tenth Business Day after the commencement of a tender or exchange offer in connection with such Acquisition Proposal without such action being considered a violation of this Section 5.3); or (E) fail to include the Company Board Recommendation in the Proxy Statement (any action described in clauses (A) through (E), a **“Company Board Recommendation Change”**); *provided, however*, that, for the avoidance of doubt, none of (1) the determination by the Company Board (or a committee thereof) that an Acquisition Proposal constitutes a Superior Proposal; or (2) the delivery by the Company to Parent of any notice contemplated by Section 5.3(e) will constitute a Company Board Recommendation Change; or
- (ii) cause or permit the Company Group to enter into an Alternative Acquisition Agreement.

(e) *Company Board Recommendation Change; Entry into Alternative Acquisition Agreement.* Notwithstanding anything to the contrary set forth in this Agreement, at any time prior to obtaining the Requisite Stockholder Approval:

- (i) the Company Board (or a committee thereof) may effect a Company Board Recommendation Change in response to any material event, development, discovery, change or circumstance with respect to the Company that (A) was not known to, or reasonably expected by, the Company Board as of the date of this Agreement; and (B) does not relate to (x) any Acquisition Proposal; or (y) the mere fact, in and of itself, that the Company meets or exceeds any internal or published projections, forecasts, estimates or predictions of revenue, earnings or other financial

or operating metrics for any period ending on or after the date of this Agreement, or changes after the date of this Agreement in the market price or trading volume of the Company Common Stock or the credit rating of the Company (an “**Intervening Event**”) (it being understood that the foregoing clause (y) will not prevent or otherwise affect a determination that any event, development, discovery, change or circumstance underlying such fact or changes referred to in clause (y) has resulted in or contributed to an Intervening Event), if the Company Board (or a committee thereof) determines in good faith (after consultation with its outside legal counsel) that the failure to do so would be inconsistent with the directors’ fiduciary duties pursuant to applicable law and if and only if:

- (1) the Company has provided prior written notice to Parent at least three Business Days in advance to the effect that the Company Board (or a committee thereof) has (A) so determined; and (B) intends to effect a Company Board Recommendation Change pursuant to this Section 5.3(e)(i), which notice will specify the applicable Intervening Event in reasonable detail; and
 - (2) prior to effecting such Company Board Recommendation Change, the Company and its Representatives, during such three Business Day period, must have negotiated with Parent and its Representatives in good faith (to the extent that Parent desires to so negotiate) to make such adjustments to the terms and conditions of this Agreement so that the Company Board (or a committee thereof) would no longer determine that the failure to make a Company Board Recommendation Change in response to such Intervening Event would be inconsistent with the directors’ fiduciary duties pursuant to applicable law; or
- (ii) if the Company has received a bona fide Acquisition Proposal, whether during the Go-Shop Period or after the No-Shop Period Start Date, that the Company Board (or a committee thereof) has concluded in good faith (after consultation with its financial advisor and outside legal counsel) constitutes a Superior Proposal, then the Company Board may (A) effect a Company Board Recommendation Change with respect to such Acquisition Proposal; or (B) authorize the Company to terminate this Agreement to enter into an Alternative Acquisition Agreement with respect to such Acquisition Proposal, in each case if and only if:
- (1) the Company Board (or a committee thereof) determines in good faith (after consultation with its financial advisor and outside legal counsel) that the failure to do so would be inconsistent with its fiduciary obligations pursuant to applicable law;
 - (2) the Company has complied in all material respects with its obligations pursuant to this Section 5.3 with respect to such Acquisition Proposal;
 - (3) (i) the Company has provided prior written notice to Parent at least three Business Days in advance (the “**Notice Period**”), which notice shall state (A) that the Company has received a bona fide Acquisition Proposal that has not been withdrawn and that the Company Board (or a committee thereof) has concluded in good faith (after consultation with its financial advisor and outside legal counsel) constitutes a Superior Proposal; (B) to the extent not previously provided to Parent pursuant to Section

5.3(f), the material terms of such Acquisition Proposal, the identity of the Person or group of Persons making such Acquisition Proposal and copies of all material documents relating to such Acquisition Proposal; and (C) that the Company Board (or a committee thereof) intends to effect a Company Board Recommendation Change or to terminate this Agreement pursuant to this Section 5.3 absent revisions to the terms and conditions of this Agreement, which notice will specify the basis for such Company Board Recommendation Change or termination; and (ii) prior to effecting such Company Board Recommendation Change or termination, the Company and its Representatives, during the Notice Period, must have negotiated with Parent and its Representatives in good faith (to the extent that Parent desires to so negotiate) to make such adjustments to the terms and conditions of this Agreement so that such Acquisition Proposal would cease to constitute a Superior Proposal; *provided, however*, that, in the event of any revisions to the financial terms or any other material term or condition of such Acquisition Proposal, the Company will be required to deliver a new written notice to Parent and to comply with the requirements of this Section 5.3(e) ~~(ii)(3)~~ with respect to such new written notice (except that the Notice Period in respect of such new written notice shall be two Business Days); and

- (4) in the event of any termination of this Agreement in order to cause or permit the Company to enter into an Alternative Acquisition Agreement with respect to such Acquisition Proposal, the Company will have validly terminated this Agreement in accordance with Section 8.1(h), including paying (or causing to be paid) the Company Termination Fee in accordance with Section 8.3(b)(iii).

(f) *Notice.* From the No-Shop Period Start Date until the earlier to occur of the termination of this Agreement pursuant to Article VIII and the Effective Time, the Company will promptly (and, in any event, within 48 hours thereafter) notify Parent in writing of (i) the receipt by the Company or, to the Knowledge of the Company, its Representatives, of any Acquisition Proposal; (ii) the identity of the Person or group of Persons making such Acquisition Proposal; (iii) a copy of any such Acquisition Proposal made in writing and any other written terms and proposals provided (including financing commitments) to the Company or its Representatives; and (iv) a written summary of material terms and conditions of any such Acquisition Proposal not made in writing. Thereafter, the Company must keep Parent reasonably informed, on a reasonably prompt basis, of the status of any such Acquisition Proposals (including as required by clauses (i) through (iv) above and any amendments thereto) and the status of any such discussions or negotiations.

(g) *Certain Disclosures.* Nothing in this Agreement will prohibit the Company or the Company Board (or a committee thereof) from (i) taking and disclosing to the Company Stockholders a position contemplated by Rule 14e-2(a) promulgated under the Exchange Act or complying with Rule 14d-9 promulgated under the Exchange Act, including a “stop, look and listen” communication by the Company Board (or a committee thereof) to the Company Stockholders pursuant to Rule 14d-9(f) promulgated under the Exchange Act (or any substantially similar communication); (ii) complying with Item 1012(a) of Regulation M-A promulgated under the Exchange Act; (iii) informing any Person of the existence of the provisions contained in this Section 5.3; or (iv) making any disclosure to the Company Stockholders (including regarding the business, financial condition or results of operations of the Company Group) that the Company Board (or a committee thereof) has determined to make in good faith in order to comply with applicable law, regulation or stock exchange rule or listing agreement, it being understood that any such statement or disclosure made by the Company Board (or a committee thereof) pursuant

to this Section 5.3(g) must be subject to the terms and conditions of this Agreement and will not limit or otherwise affect the obligations of the Company or the Company Board (or any committee thereof) and the rights of Parent under this Section 5.3, it being understood that nothing in the foregoing will be deemed to permit the Company or the Company Board (or a committee thereof) to effect a Company Board Recommendation Change other than in accordance with Section 5.3(e). In addition, it is understood and agreed that, for purposes of this Agreement, a factually accurate public statement by the Company or the Company Board (or a committee thereof) that describes the Company's receipt of an Acquisition Proposal, the identity of the Person making such Acquisition Proposal, the material terms of such Acquisition Proposal and the operation of this Agreement with respect thereto will not be deemed to be (A) a withholding, withdrawal, amendment, or modification, or proposal by the Company Board (or a committee thereof) to withhold, withdraw, amend or modify, the Company Board Recommendation; (B) an adoption, approval or recommendation with respect to such Acquisition Proposal; or (C) a Company Board Recommendation Change.

(h) *Breach by Representatives.* The Company agrees that any breach of this Section 5.3 by any of its Representatives, to the extent acting at the Company's direction that, if taken by the Company, would be a breach of this Section 5.3, will be deemed to be a breach of this Section 5.3 by the Company.

Article VI ADDITIONAL COVENANTS

6.1 *Required Action and Forbearance; Efforts.*

(a) *Reasonable Efforts.* Upon the terms and subject to the conditions set forth in this Agreement, Parent and Merger Sub, on the one hand, and the Company, on the other hand, will, and will cause their respective Affiliates to, use their respective commercially reasonable efforts to (A) take (or cause to be taken) all actions; (B) do (or cause to be done) all things; and (C) assist and cooperate with the other Parties in doing (or causing to be done) all things, in each case as are necessary, proper or advisable pursuant to applicable law or otherwise to consummate and make effective, in the most expeditious manner practicable, the Transactions, including by:

- (i) causing the conditions to the Merger set forth in Article VII to be satisfied;
- (ii) (1) obtaining all consents, waivers, approvals, orders and authorizations from Governmental Authorities; and (2) making all registrations, declarations and filings with Governmental Authorities, in each case that are necessary or advisable to consummate the Transactions; and
- (iii) obtaining all consents, waivers and approvals and delivering all notifications pursuant to any Material Contracts in connection with this Agreement and the consummation of the Transactions so as to maintain and preserve the benefits to the Surviving Corporation of such Material Contracts as of and following the consummation of the Transactions; and
- (iv) executing and delivering any Contracts and other instruments that are reasonably necessary to consummate the Transactions.

(b) *No Failure to Take Necessary Action.* In addition to the foregoing, subject to the terms and conditions of this Agreement, neither Parent nor Merger Sub, on the one hand, nor the Company, on the other hand, will take any action, or fail to take any action, that is intended to or has (or would reasonably be expected to have) the effect of (i) preventing, impairing, delaying or otherwise adversely affecting the consummation of the Transactions; or (ii) the ability of such Party to fully perform its obligations pursuant to this Agreement. For the avoidance of doubt, no action by the Company taken in compliance with Section 5.3 or Section 6.18 will be considered a violation of this Section 6.1.

(c) *No Consent Fee.* Notwithstanding anything to the contrary set forth in this Section 6.1 or elsewhere in this Agreement, the Company Group will not be required to agree to the payment of a consent fee, “profit sharing” payment or other consideration (including increased or accelerated payments), or the provision of additional security (including a guaranty), in connection with the Transactions, including in connection with obtaining any consent pursuant to any Material Contract.

6.2 *Form S-4; Proxy Statement; Other Required SEC Filings.*

(a) *Preparation and Filing of Form S-4 and Proxy Statement.* Promptly following the date of this Agreement, Parent and the Company shall cooperate in preparing, and Parent shall file with the SEC, a registration statement on Form S-4 in connection with the issuance of the Parent Preferred Stock in the Merger (as amended or supplemented from time to time, the “**Form S-4**”). The Form S-4 shall include a Proxy Statement to be sent to the stockholders of the Company in connection with the Company Stockholder Meeting (as amended or supplemented from time to time, the “**Proxy Statement**”). Each of Parent and the Company shall use its reasonable best efforts to cause the Form S-4 and the Proxy Statement to comply as to form in all material respects with the applicable requirements of the Securities Act, the Exchange Act, the rules and regulations of the SEC thereunder and the rules of NASDAQ. Subject to Section 6.3, the Company shall include the Company Board Recommendation in the Proxy Statement.

(b) *Cooperation; Review and Comment.* Parent and the Company shall cooperate with each other in connection with the preparation and filing of the Form S-4, the Proxy Statement and any Other Required Filing. Without limiting the foregoing, each of Parent and the Company shall furnish to the other Party all information concerning itself, its Affiliates, directors, officers and stockholders and such other matters as may be reasonably requested by the other Party in connection with the preparation, filing and distribution of the Form S-4, the Proxy Statement and any Other Required Filing. Parent shall provide the Company and its counsel a reasonable opportunity to review and comment on the Form S-4 and the Proxy Statement, including any amendments or supplements thereto, prior to filing with the SEC, and Parent shall give due consideration to all reasonable additions, deletions or changes suggested by the Company or its counsel. The Company shall provide Parent and its counsel a reasonable opportunity to review and comment on any Other Required Company Filing, including any amendments or supplements thereto, prior to filing with the SEC, and the Company shall give due consideration to all reasonable additions, deletions or changes suggested by Parent or its counsel. Parent shall provide the Company and its counsel a reasonable opportunity to review and comment on any Other Required Parent Filing, including any amendments or supplements thereto, prior to filing with the SEC, and Parent shall give due consideration to all reasonable additions, deletions or changes suggested by the Company or its counsel.

(c) *SEC Review; Effectiveness.* Parent and the Company shall use their respective reasonable best efforts to have the Form S-4 declared effective under the Securities Act as promptly as reasonably practicable after filing and to keep the Form S-4 effective for so long as is necessary to consummate the Merger and the other Transactions. Parent and the Company shall promptly notify each other of the receipt of any oral or written comments from the SEC or its staff with respect to the Form S-4, the Proxy Statement or any Other Required Filing, any request by the SEC or its staff for amendments or supplements thereto or for additional information, and any notice from the SEC or its staff relating to the effectiveness of the Form S-4 or the issuance of any stop order or suspension of the qualification of the Parent Preferred Stock for offering or sale in any jurisdiction. Parent and the Company shall cooperate in preparing responses to any comments or requests from the SEC or its staff and shall use reasonable best efforts to resolve all SEC comments with respect to the Form S-4 and the Proxy Statement as promptly as reasonably practicable. Parent shall advise the Company promptly after the Form S-4 has been declared effective.

(d) *Accuracy of Disclosure.* Parent, Merger Sub and the Company shall cause the information supplied by such Party for inclusion or incorporation by reference in the Form S-4, the Proxy Statement or any Other Required Filing not to, at the time the Form S-4 is declared effective, at the time the Proxy Statement is first mailed to Company Stockholders, at the time of

the Company Stockholder Meeting and at the Effective Time, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Notwithstanding the foregoing, no Party makes any covenant with respect to information supplied by or on behalf of another Party for inclusion or incorporation by reference in the Form S-4, the Proxy Statement or any Other Required Filing.

(e) *Amendments and Supplements.* If, at any time prior to the Effective Time, any information relating to Parent, Merger Sub, the Company or any of their respective Affiliates, directors or officers should be discovered by Parent or the Company that should be set forth in an amendment or supplement to the Form S-4, the Proxy Statement or any Other Required Filing so that such document would not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, the Party that discovers such information shall promptly notify the other Party, and Parent and the Company shall cooperate in preparing and filing with the SEC, to the extent required by applicable law, an appropriate amendment or supplement describing such information and, to the extent required by applicable law, disseminating such amendment or supplement to Company Stockholders.

(f) *Communications with the SEC.* Neither Parent nor the Company shall, and each shall cause its respective Affiliates not to, communicate in writing with the SEC or its staff with respect to the Form S-4, the Proxy Statement or any Other Required Filing without first providing the other Party and its counsel a reasonable opportunity to review and comment on such written communication, and each Party shall give due consideration to all reasonable additions, deletions or changes suggested by the other Party or its counsel.

(g) *Dissemination of Proxy Statement.* Subject to applicable law, Parent and the Company shall use their respective reasonable best efforts to cause the Proxy Statement to be mailed to Company Stockholders as promptly as reasonably practicable after the Form S-4 is declared effective under the Securities Act and the SEC has confirmed that it has no further comments on the Proxy Statement or has otherwise completed its review thereof.

(h) *Other Required Filings.* If Parent, Merger Sub, the Company or any of their respective Affiliates determines that it is required to file any document, other than the Form S-4 or the Proxy Statement, with the SEC in connection with the Transactions pursuant to applicable law, the filing Party shall promptly prepare and file such document with the SEC (each such filing by Parent, Merger Sub or any of their respective Affiliates, an “**Other Required Parent Filing**,” and each such filing by the Company or any of its Affiliates, an “**Other Required Company Filing**,” and collectively, the “**Other Required Filings**”). Each Party shall use its reasonable best efforts to cause any Other Required Filing made by it or its Affiliates to comply as to form in all material respects with the applicable requirements of the Exchange Act, the Securities Act, the rules and regulations of the SEC thereunder and the rules of NASDAQ.

6.3 *Stockholder Meeting.*

(a) *Company Stockholder Meeting.* Subject to the provisions of this Agreement, the Company shall take all action necessary in accordance with the DGCL, the Exchange Act, the Charter, the Bylaws and the rules of NASDAQ to establish a record date for, duly call, give notice of, convene and hold a meeting of its stockholders (the “**Company Stockholder Meeting**”) as promptly as reasonably practicable following the mailing of the Proxy Statement to the Company Stockholders for the purpose of obtaining the Requisite Stockholder Approval. The Company shall not change the record date for the Company Stockholder Meeting without the prior written consent of Parent, such consent not to be unreasonably withheld, conditioned or delayed. Subject to Section 5.3 and unless there has been a Company Board Recommendation Change, the Company shall use its reasonable best efforts to solicit from the Company Stockholders proxies in favor of the adoption of this Agreement and the approval of the Merger and to obtain the Requisite Stockholder Approval.

(b) *Adjournment of Company Stockholder Meeting.* Notwithstanding anything to the contrary in this Agreement, the Company may postpone or adjourn the Company Stockholder Meeting, provided that the Company Stockholder Meeting may not be postponed or adjourned more than two times or for more than 30 days in the aggregate without Parent's prior written consent (such consent not to be unreasonably withheld, conditioned or delayed), if (i) there are holders of an insufficient number of shares of Company Common Stock present or represented by proxy at the Company Stockholder Meeting to constitute a quorum; (ii) the Company has not received proxies representing a sufficient number of shares of Company Common Stock to obtain the Requisite Stockholder Approval; (iii) the Company is required to postpone or adjourn the Company Stockholder Meeting by applicable law, order or a request from the SEC or its staff; (iv) the Company has notified Parent pursuant to Section 5.3(e) that the Company Board or a committee thereof intends to effect a Company Board Recommendation Change or to terminate this Agreement pursuant to Section 5.3(e)(ii), and the applicable notice period thereunder will not have expired prior to the then-scheduled date and time of the Company Stockholder Meeting; or (v) the Company Board or a committee thereof has determined in good faith, after consultation with outside legal counsel, that such postponement or adjournment is required by applicable law in order to give Company Stockholders sufficient time to evaluate any information or disclosure that the Company has sent to Company Stockholders or otherwise made available to Company Stockholders by issuing a press release, filing materials with the SEC or otherwise.

(c) *Submission to Stockholders.* Unless this Agreement is validly terminated in accordance with Section 8.1, the Company shall submit this Agreement and the Merger to the Company Stockholders at the Company Stockholder Meeting for the purpose of obtaining the Requisite Stockholder Approval, even if the Company Board or a committee thereof has effected a Company Board Recommendation Change.

6.4 *Anti-Takeover Laws.* The Company and the Company Board (and any committee empowered to take such action, if applicable) will (a) take all actions within their power to ensure that no "anti-takeover" statute or similar statute or regulation (or, in the case of Section 203 of the DGCL, the restrictions on "business combinations" contained therein) is or becomes applicable to the Merger; and (b) if any "anti-takeover" statute or similar statute or regulation (or, in the case of Section 203 of the DGCL, the restrictions on "business combinations" contained therein) becomes applicable to the Merger, take all action within their power to ensure that the Merger may be consummated as promptly as practicable on the terms contemplated by this Agreement and otherwise to minimize the effect of such statute or regulation on the Merger.

6.5 *Access.* At all times during the period commencing with the execution and delivery of this Agreement and continuing until the earlier to occur of the termination of this Agreement pursuant to Article VIII and the Effective Time, the Company will afford Parent and its Representatives reasonable access (under Company supervision) during normal business hours, upon reasonable advance notice, to the properties, books and records and personnel of the Company, except that the Company may restrict or otherwise prohibit access to any documents or information to the extent that (a) any applicable law or regulation requires the Company to restrict or otherwise prohibit access to such documents or information; (b) access to such documents or information would give rise to a material risk of waiving any attorney-client privilege, work product doctrine or other privilege applicable to such documents or information; (c) access to a Contract to which the Company Group is a party or otherwise bound would violate or cause a default pursuant to, or give a third Person the right to terminate or accelerate the rights pursuant to, such Contract; (d) access would result in the disclosure of any trade secrets of third Persons; or (e) such documents or information relate to the negotiation and execution of this Agreement, reasonably pertinent to any adverse Legal Proceeding between the Company and its Affiliates, on the one hand, and Parent and its Affiliates, on the other hand; or relate to, subject to Section 5.3, an Acquisition Proposal. Nothing in this Section 6.5 will be construed to require the Company Group or any of its Representatives to prepare any reports, analyses, appraisals, opinions or other information. Any investigation conducted pursuant to the access contemplated by this Section 6.5 will be conducted in a manner that does not unreasonably interfere with the conduct of the business of the Company Group or create a risk of damage or destruction to any property or assets of the Company Group. Any access to the properties of the Company Group will be subject to the Company's reasonable security measures and insurance requirements and will not include the right to perform invasive testing or sampling of environmental media. The terms and conditions of the Confidentiality Agreement will apply to any

information obtained by Parent or any of its Representatives in connection with any investigation conducted pursuant to the access contemplated by this Section 6.5. All requests for access pursuant to this Section 6.5 must be directed to the General Counsel of the Company, or another person designated in writing by the Company.

6.6 *Section 16(b) Exemption.* The Company will take all actions reasonably necessary to cause any dispositions of equity securities of the Company (including derivative securities) in connection with the Merger by each director or executive officer of the Company to be exempt pursuant to Rule 16b-3 promulgated under the Exchange Act.

6.7 *Directors' and Officers' Exculpation, Indemnification and Insurance.*

(a) *Indemnified Persons.* The Surviving Corporation and its Subsidiaries will (and Parent will cause the Surviving Corporation and its Subsidiaries to) honor and fulfill, in all respects, the obligations of the Company Group pursuant to any indemnification agreements (including any indemnification provisions included in any employment agreement) between a member of the Company Group and any of their respective current or former directors or officers (and any person who becomes a director or officer of the Company Group prior to the Effective Time) (collectively, the "**Indemnified Persons**") or employees for any acts or omissions by such Indemnified Persons or employees occurring prior to the Effective Time. In addition, during the period commencing at the Effective Time and ending on the sixth anniversary of the Effective Time, the Surviving Corporation and its Subsidiaries will (and Parent will cause the Surviving Corporation and its Subsidiaries to) cause the certificates of incorporation, bylaws and other similar organizational documents of the Surviving Corporation and its Subsidiaries to contain provisions with respect to indemnification, exculpation and the advancement of expenses that are at least as favorable as the indemnification, exculpation and advancement of expenses provisions set forth in the Charter, the Bylaws and the other similar organizational documents of the Subsidiaries of the Company, as applicable, as of the date of this Agreement. During such six-year period, such provisions may not be repealed, amended or otherwise modified in any manner except as required by applicable law.

(b) *Indemnification Obligation.* Without limiting the generality of the provisions of Section 6.7(a), during the period commencing at the Effective Time and ending on the sixth anniversary of the Effective Time, the Surviving Corporation will (and Parent will cause the Surviving Corporation to) indemnify and hold harmless, to the fullest extent provided for pursuant to any indemnification agreements with, and the certificates of incorporation, bylaws and other similar organizational documents of, the Company Group in effect on the date of this Agreement, each Indemnified Person from and against any costs, fees and expenses (including attorneys' fees and investigation expenses), judgments, fines, losses, claims, damages, liabilities and amounts paid in settlement or compromise in connection with any Legal Proceeding, whether civil, criminal, administrative or investigative, to the extent that such Legal Proceeding arises, directly or indirectly, out of or pertains, directly or indirectly, to any action or omission, or alleged action or omission, in such Indemnified Person's capacity as a director, officer, employee or agent of the Company Group or other Affiliates to the extent that such action or omission, or alleged action or omission, occurred prior to or at the Effective Time, including in connection with this Agreement or the Transactions, except that if, at any time prior to the sixth anniversary of the Effective Time, any Indemnified Person delivers to Parent a written notice asserting a claim for indemnification pursuant to this Section 6.7(b), then the claim asserted in such notice will survive the sixth anniversary of the Effective Time until such claim is fully and finally resolved.

(c) *D&O Insurance.* During the period commencing at the Effective Time and ending on the sixth (6th) anniversary of the Effective Time, the Surviving Corporation will (and Parent will cause the Surviving Corporation to) maintain in effect the Company's current directors' and officers' liability insurance ("**D&O Insurance**") in respect of acts or omissions occurring at or prior to the Effective Time on terms (including with respect to coverage, conditions, retentions, limits and amounts) that are equivalent to those of the D&O Insurance. In satisfying its obligations pursuant to this Section 6.7(c), the Surviving Corporation will not be obligated to pay annual premiums in excess of 300% of the amount paid by the Company for coverage for its last full fiscal year (such 300% amount, the "**Maximum Annual Premium**"). If the annual premiums of such insurance coverage exceed the Maximum Annual Premium, then the

Surviving Corporation will be obligated to obtain a policy with the greatest coverage available for a cost not exceeding the Maximum Annual Premium from an insurance carrier with the same or better credit rating as the Company's current directors' and officers' liability insurance carrier. Prior to the Effective Time, the Company may (or if Parent requests, shall) purchase a prepaid "tail" policy with respect to the D&O Insurance from an insurance carrier with the same or better credit rating as the Company's current directors' and officers' liability insurance carrier so long as the annual cost for such "tail" policy does not exceed the Maximum Annual Premium. If the Company purchases such a "tail" policy prior to the Effective Time, (i) the Surviving Corporation will (and Parent will cause the Surviving Corporation to) maintain such "tail" policy in full force and effect and continue to honor its obligations thereunder for so long as such "tail" policy is in full force and effect and (ii) the obligations in the first sentence hereof shall cease to apply.

(d) *Successors and Assigns.* If Parent, the Surviving Corporation or any of their respective successors or assigns (i) consolidates with or merges into any other Person and is not the continuing or surviving corporation or entity in such consolidation or merger; (ii) transfers all or substantially all of its properties and assets to any Person; or (iii) dissolves, then proper provisions will be made so that the successors and assigns of Parent, the Surviving Corporation or any of their respective successors or assigns will assume all of the obligations of Parent and the Surviving Corporation set forth in this Section 6.7.

(e) *No Impairment.* The obligations set forth in this Section 6.7 may not be terminated, amended or otherwise modified in any manner that adversely affects any Indemnified Person (or any other person who is a beneficiary pursuant to the D&O Insurance or the "tail" policy referred to in Section 6.7(c) (and their heirs and representatives)) without the prior written consent of such affected Indemnified Person or other person. Each of the Indemnified Persons or other persons who are beneficiaries pursuant to the D&O Insurance or the "tail" policy referred to in Section 6.7(c) (and their heirs and representatives) are intended to be third party beneficiaries of this Section 6.7, with full rights of enforcement as if a Party. The rights of the Indemnified Persons (and other persons who are beneficiaries pursuant to the D&O Insurance or the "tail" policy referred to in Section 6.7(c) (and their heirs and representatives)) pursuant to this Section 6.7 will be in addition to, and not in substitution for, any other rights that such persons may have pursuant to (i) the Charter and Bylaws; (ii) the similar organizational documents of the Subsidiaries of the Company; or (iii) applicable law (whether at law or in equity).

(f) *Joint and Several Obligations.* The obligations of the Surviving Corporation, Parent and their respective Subsidiaries pursuant to this Section 6.7 will be joint and several.

(g) *Other Claims.* Nothing in this Agreement is intended to, or will be construed to, release, waive or impair any rights to directors' and officers' insurance claims pursuant to any applicable insurance policy, indemnification agreement, certificate of incorporation, bylaws or similar organizational document that is or has been in existence with respect to the Company Group for any of its directors, officers or other employees.

6.8 *Employee Matters.*

(a) *Severance Benefits.* Following the Effective Time, the Surviving Corporation and its Subsidiaries will (and Parent will cause the Surviving Corporation and its Subsidiaries to) provide each Continuing Employee severance benefits in accordance with the Company's employees' written employment agreements as in effect at the Effective Time, and set forth in Section 3.13(a) of the Company Disclosure Letter.

(b) *Change in Control.* For purposes of any Employee Plan containing a definition of "change in control," "change of control" or a similar term, the Closing shall be deemed to constitute a "change in control," "change of control" or such similar term. The Surviving Corporation and its Subsidiaries will (and Parent will cause the Surviving Corporation and its Subsidiaries to) honor each Employee Plan in accordance with its terms as in effect immediately prior to the Effective Time, subject to any amendment or termination thereof that may be permitted by such Employee Plan.

(c) *Annual Bonuses.* With respect to annual cash bonuses for the fiscal year in which the Effective Time occurs (the “**Closing Year**”), as soon as practicable following the end of the Closing Year, but in no event later than May 1 of the fiscal year immediately following the Closing Year, Parent shall consider, in its sole discretion, or shall cause the Surviving Corporation to, pay after Parent’s determination each Continuing Employee an annual cash bonus for the Closing Year in an amount determined by the Parent.

(d) *New Plans.* If a new employee benefit plan is made available to any Continuing Employee at or after the Effective Time (each a “**New Plan**”), the Surviving Corporation and its Subsidiaries will (and Parent will cause the Surviving Corporation and its Subsidiaries to) cause to be granted to such Continuing Employee credit for all service with the Company Group prior to the Effective Time for purposes of eligibility to participate, vesting and entitlement to benefits where length of service is relevant (including for purposes of vacation accrual and severance pay entitlement), except that such service need not be credited to the extent that it would result in duplication of coverage or benefits. In addition, where applicable, and without limiting the generality of the foregoing, the Surviving Corporation and its Subsidiaries will (and Parent will cause the Surviving Corporation and its Subsidiaries to) ensure that at the Effective Time: (i) each Continuing Employee shall be immediately eligible to participate, without any waiting time, in each New Plan to the extent that such waiting time was satisfied under a comparable Employee Plan in which such Continuing Employee participated immediately before the Effective Time (each such plan, an “**Old Plan**”), (ii) all pre-existing condition exclusions or limitations and actively-at-work requirements of each New Plan that is a health plan are waived or satisfied for such Continuing Employee and his or her covered dependents to the extent waived or satisfied under the comparable Old Plan, and (iii) all eligible expenses incurred by each Continuing Employee and his or her covered dependents during the portion of the plan year of the Old Plan ending on the date such Continuing Employee’s participation in the corresponding New Plan begins are taken into account under such New Plan for purposes of satisfying all deductible, coinsurance and maximum out-of-pocket requirements applicable to such Continuing Employee and his or her covered dependents for the applicable plan year as if such amounts had been paid in accordance with such New Plan.

(e) *No Third Party Beneficiary Rights.* Notwithstanding anything to the contrary set forth in this Agreement, this [Section 6.8](#) will not be deemed to (i) guarantee employment for any period of time for, or preclude the ability of Parent, the Surviving Corporation or any of their respective Subsidiaries from terminating the employment of any Continuing Employee for any reason; (ii) require Parent, the Surviving Corporation or any of their respective Subsidiaries to continue any Employee Plan or prevent the amendment, modification or termination thereof after the Effective Time; (iii) create any third party beneficiary rights in any Person; or (iv) establish, amend or modify any benefit plan, program, agreement or arrangement.

(f) *401(k) Plan.* If requested by Parent at least 10 Business Days prior to the Closing Date, the Company shall take all actions reasonably necessary to terminate, effective as of not later than the day immediately preceding the Closing Date, any Employee Plan that includes a cash or deferred arrangement intended to qualify under Section 401(k) of the Code (the “**Company 401(k) Plan**”), including adopting resolutions of the Company Board and taking such other actions as are reasonably necessary to effect such termination. Prior to taking any such actions, the Company shall provide Parent with drafts of all resolutions, notices, amendments and other documents relating thereto. If the Company 401(k) Plan is terminated pursuant to the preceding sentence, Parent shall take all actions reasonably necessary to (i) permit each Continuing Employee to participate in plan maintained by Parent or its Affiliate that includes a cash or deferred arrangement intended to qualify under Section 401(k) of the Code (the “**Parent 401(k) Plan**”) on or as soon as reasonably practicable after the Closing Date and (ii) cause the Parent 401(k) Plan to accept eligible rollover distributions (as defined in Section 402(c)(4) of the Code) from each Continuing Employee with respect to such Continuing Employee’s account balances (including loans) under the Company 401(k) Plan, if elected by such Continuing Employee. If applicable, the Company and Parent shall cooperate in good faith with respect to the timing and implementation of the actions relating to the Company 401(k) Plan and the Parent 401(k) Plan set forth in this [Section 6.8\(f\)](#).

6.9 *Obligations of Merger Sub.* Parent will take all action necessary to cause Merger Sub and the Surviving Corporation to perform their respective obligations pursuant to this Agreement and to consummate the Merger upon the terms and subject to the conditions set forth in this Agreement. Parent and Merger Sub will be jointly and severally liable for the failure by either of them to perform and discharge any of their respective covenants, agreements and obligations pursuant to this Agreement.

6.10 *Notification of Certain Matters.*

(a) *Notification by the Company.* At all times during the period commencing with the execution and delivery of this Agreement and continuing until the earlier to occur of the termination of this Agreement pursuant to Article VIII and the Effective Time, the Company will give prompt notice to Parent upon becoming aware that any representation or warranty made by it in this Agreement has become untrue or inaccurate in any material respect, or of any failure by the Company to comply with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by it pursuant to this Agreement, in each case if and only to the extent that such untruth, inaccuracy, or failure would reasonably be expected to cause any of the conditions to the obligations of Parent and Merger Sub to consummate the Merger set forth in Section 7.2(a) or Section 7.2(b) to fail to be satisfied at the Closing, except that no such notification will affect or be deemed to modify any representation or warranty of the Company set forth in this Agreement or the conditions to the obligations of Parent and Merger Sub to consummate the Merger or the remedies available to the Parties under this Agreement. The terms and conditions of the Confidentiality Agreement apply to any information provided to Parent pursuant to this Section 6.10(a).

(b) *Notification by Parent.* At all times during the period commencing with the execution and delivery of this Agreement and continuing until the earlier to occur of the termination of this Agreement pursuant to Article VIII and the Effective Time, Parent will give prompt notice to the Company upon becoming aware that any representation or warranty made by Parent or Merger Sub in this Agreement has become untrue or inaccurate in any material respect, or of any failure by Parent or Merger Sub to comply with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by it pursuant to this Agreement, in each case if and only to the extent that such untruth, inaccuracy or failure would reasonably be expected to cause any of the conditions to the obligations of the Company to consummate the Merger set forth in Section 7.3(a) or Section 7.3(b) to fail to be satisfied at the Closing, except that no such notification will affect or be deemed to modify any representation or warranty of Parent or Merger Sub set forth in this Agreement or the conditions to the obligations of the Company to consummate the Merger or the remedies available to the Parties under this Agreement. The terms and conditions of the Confidentiality Agreement apply to any information provided to the Company pursuant to this Section 6.10(b).

6.11 *Public Statements and Disclosure.* The initial press release concerning this Agreement and the Transactions will be reasonably acceptable to the Company and Parent (the “**Announcement**”). Thereafter, the Company (other than with respect to the portion of any communication relating to a Company Board Recommendation Change), on the one hand, and Parent and Merger Sub, on the other hand, will use their respective commercially reasonable efforts to consult with the other Parties before (a) participating in any media interviews; (b) engaging in any meetings or calls with analysts, institutional investors or other similar Persons; or (c) providing any statements that are public or are reasonably likely to become public, in any such case to the extent relating to the Transactions, except that the Company will not be obligated to engage in such consultation with respect to communications that are (i) required by applicable law, regulation or stock exchange rule or listing agreement; (ii) principally directed to employees, suppliers, customers, partners or vendors so long as such communications are consistent with the previous press releases, public disclosures or public statements made jointly by the Parties (or individually if approved by the other Party); or (iii) principally related to a Superior Proposal or Company Board Recommendation Change. Notwithstanding the foregoing, this Section 6.11 shall not apply to any press release or other public statement made by the Company or Parent that is consistent with the Announcement and the terms of this Agreement and does not contain any information relating to the Company or Parent that has not been previously announced or made public in accordance with the terms of this Agreement.

6.12 *Company Transaction Litigation.* Prior to the Effective Time, the Company will provide Parent with prompt notice of all Company Transaction Litigation (including by providing copies of all

pleadings with respect thereto) and keep Parent reasonably informed with respect to the status thereof. The Company will (a) give Parent the opportunity to participate in the defense, settlement or prosecution of any Company Transaction Litigation; and (b) consult with Parent with respect to the defense, settlement and prosecution of any Company Transaction Litigation. The Company may not compromise, settle or come to an arrangement regarding, or agree to compromise, settle or come to an arrangement regarding, any Company Transaction Litigation unless Parent has consented thereto in writing (such consent not to be unreasonably withheld, conditioned or delayed). For purposes of this Section 6.12, “participate” means that Parent will be kept apprised of proposed strategy and other significant decisions with respect to the Company Transaction Litigation by the Company (to the extent that the attorney-client privilege between the Company and its counsel is not undermined or otherwise affected), and Parent may offer comments or suggestions with respect to such Company Transaction Litigation but will not be afforded any decision-making power or other authority over such Company Transaction Litigation, prior to the Effective Time, except for the settlement or compromise consent set forth above.

6.13 *Parent Transaction Litigation.* Prior to the Effective Time, Parent will provide the Company with prompt notice of all Parent Transaction Litigation (including by providing copies of all pleadings with respect thereto) and keep the Company reasonably informed with respect to the status thereof.

6.14 *Stock Exchange Delisting; Deregistration.* Prior to the Effective Time, the Company will cooperate with Parent and use its commercially reasonable efforts to take, or cause to be taken, all actions and do, or cause to be done, all things reasonably necessary, proper or advisable on its part pursuant to applicable law and the rules and regulations of NASDAQ to cause (a) the delisting of the Company Common Stock from NASDAQ as promptly as practicable after the Effective Time; and (b) the deregistration of the Company Common Stock pursuant to the Exchange Act as promptly as practicable after such delisting.

6.15 *Additional Agreements.* If at any time after the Effective Time any further action is necessary or desirable to carry out the purposes of this Agreement or to vest the Surviving Corporation with full title to all properties, assets, rights, approvals and immunities of either of the Company or Merger Sub, then the proper officers and directors of each Party will use their commercially reasonable efforts to take such action.

6.16 *No Control of the Other Party's Business.* The Parties acknowledge and agree that the restrictions set forth in this Agreement are not intended to give Parent or Merger Sub, on the one hand, or the Company, on the other hand, directly or indirectly, the right to control or direct the business or operations of the other at any time prior to the Effective Time. Prior to the Effective Time, each of Parent and the Company will exercise, consistent with the terms, conditions and restrictions of this Agreement, complete control and supervision over their own business and operations.

6.17 *No Employment Discussions.* Except as approved by the Company Board, at all times during the period commencing with the execution and delivery of this Agreement and continuing until the earlier to occur of the termination of this Agreement pursuant to Article VIII and the Effective Time, Parent and Merger Sub will not, and will not permit any of their Subsidiaries or controlled Affiliates to authorize, make or enter into, or commit or agree to enter into, any formal or informal arrangements or other understandings (whether or not binding) with any executive officer of the Company (a) regarding any continuing employment or consulting relationship with the Surviving Corporation from and after the Effective Time; (b) pursuant to which any such individual would be entitled to receive consideration of a different amount or nature than the Merger Consideration in respect of such holder's shares of Company Common Stock; or (c) pursuant to which such individual would agree to provide, directly or indirectly, equity investment to Parent, Merger Sub or the Company to finance any portion of the Merger.

6.18 *Debt Financing Matters.*

(a) Subject to the terms and conditions of this Agreement, the Company will not permit any amendment or modification to, any termination of, or any waiver of any provision or remedy pursuant to, the ABL Loan Agreement (including the lender commitments thereunder and any letters of credit issued in connection therewith), any related loan or security documents, or any liens or security interests granted in connection therewith (including pursuant to that certain Pledge and Security Agreement, dated as of December 21, 2021, among the Company, Texas Capital Bank and the other guarantors party thereto) without the prior written consent of the

Parent, such consent not to be unreasonably withheld, conditioned or delayed. For the avoidance of doubt, the Company shall not enter into the ABL Loan Agreement Amendment until the same is approved in writing by Parent.

(b) *Debt Financing.* Each of Parent and Merger Sub will use its respective commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or advisable which are in Parent's or Merger Sub's control to enable the Company (or with respect to Alternative Debt Financing, the Parent and Merger Sub) to arrange the Debt Financing or Alternative Debt Financing, as applicable, and consummate the Debt Financing or Alternative Debt Financing, as applicable, on the Closing Date, including using its commercially reasonable efforts to:

- (i) negotiate, execute (if applicable) and deliver definitive agreements with respect to the Debt Financing or Alternative Debt Financing, as applicable, to which Parent and/or Merger Sub is a party and provide copies of drafts thereof exchanged with the lenders under the ABL Loan Agreement or definitive agreements with respect to the Alternative Debt Financing (the "**Alternative Debt Financing Agreements**") to the Company following the Company's reasonable request therefor (to the extent the Company does not already have copies);
- (ii) participate in and assist with due diligence conducted in respect of Parent and/or Merger Sub; and
- (iii) satisfy on a timely basis (or obtain a waiver to) all conditions to funding that are applicable to Parent and Merger Sub in the ABL Loan Agreement Amendment or any Alternative Debt Financing Agreement.

(c) *Debt Financing Cooperation.* Unless the requirements in Section 6.19 to seek Alternative Debt Financing apply, the Company will use commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or advisable to arrange the Debt Financing (but not to arrange any Alternative Debt Financing) and to consummate the Debt Financing on the Closing Date in accordance with the terms of the ABL Loan Agreement (as the same may be modified by the ABL Loan Agreement Amendment), including using its commercially reasonable efforts to:

- (i) comply with its obligations under the ABL Loan Agreement (as the same may be modified by the ABL Loan Agreement Amendment);
- (ii) not reduce the amount available for borrowing under the Company's existing \$25,000,000 credit facility pursuant to the ABL Loan Agreement below the Maximum Debt Financing Amount;
- (iii) negotiate, execute and deliver the ABL Loan Agreement Amendment and such other definitive agreements with respect to the Debt Financing and continued post-Closing financing of the business of the Surviving Corporation as Texas Capital Bank may reasonably require (provided, that, Parent's prior written consent shall be required with respect to each such item prior to the Company's execution and delivery of the same, such consent not to be unreasonably withheld, conditioned or delayed); in furtherance of the foregoing, the Company shall provide copies of drafts of each such item exchanged with Texas Capital Bank to Parent for Parent's review and comment;
- (iv) satisfy on a timely basis (or obtain a waiver to) all conditions to funding that are applicable to the Company in the ABL Loan Agreement (as the same may be modified by the ABL Loan Agreement Amendment);

- (v) enforce its rights pursuant to the ABL Loan Agreement (as the same may be modified by the ABL Loan Agreement Amendment); and
 - (vi) consummate the Debt Financing simultaneously with the Closing, including by causing Texas Capital Bank to fund the Debt Financing at the Closing; and
 - (vii) participate (and cause senior management and Representatives, with appropriate seniority and expertise, of the Company to participate) in a customary and reasonable number of meetings, presentations, road shows, due diligence sessions, drafting sessions and sessions with rating agencies, and otherwise cooperate with the marketing efforts for any of the Debt Financing.
- (d) *Alternative Debt Financing Cooperation.* To the extent there may be any Alternative Debt Financing, the Company will use commercially reasonable efforts to:
- (i) assist Parent with the preparation of customary rating agency presentations and bank information memoranda required in connection with any Alternative Debt Financing;
 - (ii) participate (and cause senior management and Representatives, with appropriate seniority and expertise, of the Company to participate) in a customary and reasonable number of meetings, presentations, road shows, due diligence sessions, drafting sessions and sessions with rating agencies, and otherwise cooperate with the marketing efforts for any Alternative Debt Financing; and
 - (iii) assist Parent in connection with the preparation of (but not executing) any pledge and security documents, indentures and other definitive financing documents as may be reasonably requested by Parent (including using commercially reasonable efforts to obtain, to the extent applicable, consents of accountants for use of their reports in any materials relating to Alternative Debt Financing as reasonably requested by Parent), and otherwise reasonably facilitate the pledging of collateral and the granting of security interests in respect of Alternative Debt Financing, it being understood that such documents will not take effect until the Effective Time.
- (e) *Information.* The Company and Parent shall keep the other fully informed on a reasonably current basis of the status of its efforts to arrange the Debt Financing and the ABL Loan Agreement Amendment, as applicable. Without limiting the generality of the foregoing, the Company shall give Parent prompt notice of (i) any material breach, event of default under, or repudiation by any party to the ABL Loan Agreement of which it becomes aware if such breach, event of default, or repudiation could reasonably be expected to result in a delay of the Closing Date, or (ii) the receipt of any written notice of default under the ABL Loan Agreement that could reasonably be expected to result in the termination of the ABL Loan Agreement or the acceleration of the Company's outstanding obligations thereunder.
- (f) *No Exclusive Arrangements.* In no event will the Parent, Merger Sub or any of their respective Affiliates (which for this purpose will be deemed to include each direct investor in Parent or Merger Sub and the lenders under the ABL Loan Agreement) enter into any Contract, arrangement or understanding (i) awarding any agent, broker, investment banker or financial advisor any financial advisory role on an exclusive basis; or (ii) prohibiting or seeking to prohibit any bank, investment bank or other potential provider of debt financing from providing or seeking to provide debt financing or financial advisory services to any Person, in each case in connection with a transaction relating to the Company Group or in connection with the Merger.

6.19 *Alternative Debt Financing.* In the event any portion of the Debt Financing becomes unavailable (or is reasonably expected to become unavailable, as determined by the Company in its discretion) on the terms and conditions set forth in this Agreement, the Company shall, as promptly as practicable, notify the Parent in writing of such event and the reasons therefor and Parent shall use commercially reasonable efforts to obtain alternative debt financing on terms substantially similar to those available under the ABL Loan Agreement or otherwise acceptable to Parent in its sole discretion (“**Alternative Debt Financing**”) in an amount such that the aggregate funds available to Parent at Closing will be sufficient to (a) pay all amounts required to be paid by Parent or Merger Sub pursuant to Article II, (b) repay, prepay, discharge or otherwise satisfy all Indebtedness of the Company and its Subsidiaries required to be repaid, prepaid, discharged or satisfied at the Closing, (c) pay all fees and expenses required to be paid by Parent or Merger Sub in connection with the Transactions, and (d) consummate the Transactions. In the event that Parent is required to seek Alternative Debt Financing pursuant to this Section 6.19, references to the “Debt Financing” shall be deemed to be modified to refer to such Alternative Debt Financing, as applicable, and the provisions of Section 6.18 shall apply to an Alternative Debt Financing (unless specifically relating to the ABL Loan Agreement or the ABL Loan Agreement Amendment).

6.20 *Debt Financing Costs.*

(a) If this Agreement is terminated pursuant to any of Sections 8.1(a)-(d), Section 8.1(g), or Section 8.1(i) prior to the Effective Time, Parent shall be solely responsible for, and shall promptly reimburse the Company Group for, all out-of-pocket fees, costs and expenses (including reasonable attorneys’ fees of Texas Capital Bank for which the Company Group is responsible, but not including other attorneys’ fees incurred by the Company Group) incurred by the Company Group in connection with the Debt Financing or any Alternative Debt Financing, including any commitment fees, amendment fees, arrangement fees, consent fees, prepayment penalties or similar charges relating to the ABL Loan Agreement, the ABL Loan Agreement Amendment, the Debt Financing or the Alternative Debt Financing.

(b) If the Closing occurs, all fees, costs and expenses incurred by the Company Group in connection with the Debt Financing or any Alternative Debt Financing (including the fees and costs described in clause (a) above and subject to the limitations set forth therein) shall be borne by the Surviving Corporation; provided, that such fees, costs and expenses shall not constitute “Company Transaction Expenses” and shall not be taken into account for any purpose under Section 3.28 or Section 6.21 of this Agreement.

6.21 *Transaction Expense Update.* From and after the date of this Agreement until the earlier of the Closing or the termination of this Agreement, the Company shall provide Parent with reasonable updates, not less frequently than every 15 days, regarding any material increases in the aggregate Company Transaction Expenses relative to the Transaction Expense Estimate. For the avoidance of doubt, (a) this Section 6.21 is an informational covenant only and shall not be construed as a cap or limitation on Company Transaction Expenses, (b) any increase in Company Transaction Expenses shall not constitute a breach of any representation, warranty or covenant under this Agreement, and (c) no failure by the Company to provide an update pursuant to this Section 6.21 shall give rise to a right of Parent to terminate this Agreement or to any claim for damages. The Company shall use its commercially reasonable efforts to cause the Company Transaction Expenses to not exceed, in the aggregate, the amount set forth in Section 3.28 of the Company Disclosure Letter.

Article VII
CONDITIONS TO THE MERGER

7.1 *Conditions to Each Party’s Obligations to Effect the Merger.* The respective obligations of Parent, Merger Sub and the Company to consummate the Merger are subject to the satisfaction or waiver (where permissible pursuant to applicable law) prior to the Effective Time of each of the following conditions:

(a) *Requisite Stockholder Approval.* The Company will have received the Requisite Stockholder Approval at the Company Stockholder Meeting.

(b) *Form S-4.* The Form S-4 shall have become effective under the Securities Act and shall not be the subject of any stop order or proceedings seeking a stop order.

(c) *No Prohibitive Laws or Injunctions.* No temporary restraining order, preliminary or permanent injunction or other judgment or order issued by any court of competent jurisdiction or other legal or regulatory restraint or prohibition preventing the consummation of the Merger will be in effect, nor will any action have been taken by any Governmental Authority of competent jurisdiction, and no statute, rule, regulation or order will have been enacted, entered, enforced or deemed applicable to the Merger, that in each case prohibits, makes illegal, or enjoins the consummation of the Merger.

7.2 Conditions to the Obligations of Parent and Merger Sub. The obligations of Parent and Merger Sub to consummate the Merger will be subject to the satisfaction or waiver (where permissible pursuant to applicable law) prior to the Effective Time of each of the following conditions, any of which may be waived exclusively by Parent:

(a) *Representations and Warranties.*

- (i) Other than the representations and warranties listed in Section 7.2(a)(ii) and Section 7.2(a)(iii), the representations and warranties of the Company set forth in this Agreement will be true and correct (without giving effect to any materiality, Company Material Adverse Effect or similar qualifications contained therein) as of the Closing Date as if made at and as of the Closing Date (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty will be true and correct as of such earlier date), except for such failures to be true and correct that would not have a Company Material Adverse Effect.
- (ii) The representations and warranties set forth in Section 3.1 (Organization; Good Standing), Section 3.2 (Corporate Power; Enforceability), Section 3.7(c) (Company Securities) (other than the first sentence thereof), Section 3.7(d) (Other Rights) and Section 3.24 (Brokers) that (A) are not qualified by Company Material Adverse Effect or other materiality qualifications will be true and correct in all material respects as of the Closing Date as if made at and as of the Closing Date (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty will be true and correct in all material respects as of such earlier date); and (B) that are qualified by Company Material Adverse Effect or other materiality qualifications will be true and correct in all respects (without disregarding such Company Material Adverse Effect or other materiality qualifications) as of the Closing Date as if made at and as of the Closing Date (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty will be true and correct in all respects as of such earlier date).
- (iii) The representations and warranties set forth in Section 3.7(a) (Capital Stock), Section 3.7(b) (Company Equity Awards) and the first sentence of Section 3.7(c) (Company Securities) will be true and correct as of the Closing Date (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty will be true and correct as of such earlier date), except for de minimis inaccuracies.

(b) *Performance of Obligations of the Company.* The Company will have performed and complied in all material respects with all covenants, obligations and conditions of this Agreement required to be performed and complied with by it at or prior to the Closing.

(c) *Officer's Certificate.* Parent and Merger Sub will have received a certificate of the Company, validly executed for and on behalf of the Company and in its name by a duly authorized executive officer thereof, certifying that the conditions set forth in Section 7.2(a) and Section 7.2(b) have been satisfied.

(d) *Company Material Adverse Effect.* No Company Material Adverse Effect will have occurred after the date of this Agreement that is continuing.

(e) *ABL Loan Agreement Amendment.* The Company shall have delivered to Parent the ABL Loan Agreement Amendment, duly executed by each party thereto other than Parent or Merger Sub.

(f) *Availability of Debt Financing.* All conditions precedent to the making of the Debt Financing or the Alternative Debt Financing, as the case may be, on the Closing Date shall have been satisfied or waived by Texas Capital Bank or the other applicable lender(s), other than conditions that, by their nature, are to be satisfied at the Closing, and the Company and its Subsidiaries shall have available for borrowing under the ABL Loan Agreement or the Alternative Debt Financing, as the case may be, on the Closing Date not less than the Maximum Debt Financing Amount.

(g) *Required Consents.* Parent shall have received evidence reasonably satisfactory to Parent that all notices, consents, waivers, approvals and notices of assignment required to be given, obtained or delivered in connection with the consummation of the Merger and the other transactions contemplated by this Agreement, including without limitation those set forth on Schedule 7.2(g), have been duly given, obtained or delivered, as applicable, and shall remain in full force and effect, except for such Consents the failure of which to obtain would not have a Company Material Adverse Effect.

7.3 *Conditions to the Company's Obligations to Effect the Merger.* The obligations of the Company to consummate the Merger are subject to the satisfaction or waiver (where permissible pursuant to applicable law) prior to the Effective Time of each of the following conditions, any of which may be waived exclusively by the Company:

(a) *Representations and Warranties.*

(i) Other than the representations and warranties listed in Section 7.3(a)(ii) and Section 7.3(a)(iii), the representations and warranties of Parent set forth in this Agreement will be true and correct (without giving effect to any materiality, Parent Material Adverse Effect or similar qualifications contained therein) as of the Closing Date as if made at and as of the Closing Date (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty will be true and correct as of such earlier date), except for such failures to be true and correct that would not have a Parent Material Adverse Effect.

(ii) The representations and warranties set forth in Section 4.1 (Organization; Good Standing), Section 4.2 (Power; Enforceability), Section 4.5(e) (Parent Securities) (other than the first sentence thereof), Section 4.5(f) (Other Rights) and Section 4.14 (Brokers) that (A) are not qualified by Parent Material Adverse Effect or other materiality qualifications will be true and correct in all material respects as of the Closing Date as if made at and as of the Closing Date (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty will be true and correct in all material respects as of such earlier date); and (B) that are qualified by Parent Material Adverse Effect or other materiality qualifications will be true and correct in all respects (without disregarding such Parent Material Adverse Effect or other materiality qualifications) as of the Closing Date

as if made at and as of the Closing Date (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty will be true and correct in all respects as of such earlier date).

- (iii) The representations and warranties set forth in Section 4.5(a) (Capital Stock), Section 4.5(b) (Parent Preferred Stock), Section 4.5(c) (Authorization and Reservation), Section 4.5(d) (Parent Equity Awards) and the first sentence of Section 4.5(e) (Parent Securities) will be true and correct as of the Closing Date (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty will be true and correct as of such earlier date), except for de minimis inaccuracies.

(b) *Performance of Obligations of Parent and Merger Sub.* Parent and Merger Sub will have performed and complied in all material respects with all covenants, obligations and conditions of this Agreement required to be performed and complied with by Parent and Merger Sub at or prior to the Closing.

(c) *Officer's Certificate.* The Company will have received a certificate of Parent and Merger Sub, validly executed for and on behalf of Parent and Merger Sub and in their respective names by a duly authorized officer thereof, certifying that the conditions set forth in Section 7.3(a) and Section 7.3(b) have been satisfied.

(d) *Parent Material Adverse Effect.* No Parent Material Adverse Effect will have occurred after the date of this Agreement that is continuing.

7.4 *Frustration of Closing Conditions.* Notwithstanding anything to the contrary set forth in this Agreement, none of the Company, Parent or Merger Sub may rely, either as a basis for not consummating the Transactions or for terminating this Agreement and abandoning the Merger, on the failure of any condition set forth in Section 7.1, Section 7.2 or Section 7.3, as the case may be, to be satisfied, if in any such case such Party's breach of any of its representations, warranties, covenants or agreements set forth in this Agreement or failure to perform fully its obligations under this Agreement in any manner has primarily caused or primarily resulted in a failure of any such condition to be satisfied or otherwise have given rise to a right of termination of this Agreement.

Article VIII TERMINATION, AMENDMENT AND WAIVER

8.1 *Termination.* This Agreement may be validly terminated only as follows (it being understood and agreed that this Agreement may not be terminated for any other reason or on any other basis):

(a) at any time prior to the Effective Time (whether prior to or after the receipt of the Requisite Stockholder Approval) by mutual written agreement of Parent and the Company;

(b) by either Parent or the Company, at any time prior to the Effective Time (whether prior to or after the receipt of the Requisite Stockholder Approval) if (i) any permanent injunction or other judgment or order issued by any court of competent jurisdiction or other legal or regulatory restraint or prohibition preventing the consummation of the Merger will be in effect, or any action has been taken by any Governmental Authority of competent jurisdiction, that, in each case, prohibits, makes illegal or enjoins the consummation of the Merger and has become final and non-appealable; or (ii) any statute, rule, regulation or order will have been enacted, entered, enforced or deemed applicable to the Merger that prohibits, makes illegal or enjoins the consummation of the Merger, except that the right to terminate this Agreement pursuant to this Section 8.1(b) will not be available to any Party (it being agreed that Parent and Merger Sub shall be a single Party for purposes of this clause (b)) that has failed to comply with Section 6.1 or to use its commercially reasonable efforts to resist, appeal, obtain consent pursuant to, resolve or lift, as applicable, such injunction, action, statute, rule, regulation or order;

(c) by either Parent or the Company, at any time prior to the Effective Time (whether prior to or after the receipt of the Requisite Stockholder Approval) if the Effective Time has not occurred by 11:59 p.m., Eastern time, on March 1, 2027 (the “**Termination Date**”), it being understood that the right to terminate this Agreement pursuant to this Section 8.1(c) will not be available to (i) (1) Parent if the Company has the valid right to terminate this Agreement pursuant to Section 8.1(g) or Section 8.1(i); or (2) the Company if Parent has the valid right to terminate this Agreement pursuant to Section 8.1(e); and (ii) any Party whose action or failure to act (which action or failure to act constitutes a breach by such Party of this Agreement) has been the primary cause of, or primarily resulted in, either (A) the failure to satisfy the conditions to the obligations of the terminating Party to consummate the Merger set forth in Article VII prior to the Termination Date; or (B) the failure of the Effective Time to have occurred prior to the Termination Date (it being agreed that Parent and Merger Sub shall be a single Party for purposes of this clause (ii));

(d) by either Parent or the Company, at any time prior to the Effective Time if the Company fails to obtain the Requisite Stockholder Approval at the Company Stockholder Meeting (or any adjournment or postponement thereof) at which a vote is taken on the adoption of this Agreement;

(e) by Parent, at any time prior to the Effective Time (whether prior to or after the receipt of the Requisite Stockholder Approval), if any condition set forth in Section 7.2 has failed to be satisfied or has become incapable of being satisfied by the Termination Date, except that if such failure is capable of being cured by the Termination Date, Parent shall not be entitled to terminate this Agreement pursuant to this Section 8.1(e) prior to the earlier of (x) the date that is 30 days following delivery by Parent to the Company of written notice thereof and (y) the Termination Date, it being understood that Parent shall not be entitled to terminate this Agreement if such failure has been cured prior to such earlier date;

(f) by Parent, at any time prior to the receipt of the Requisite Stockholder Approval, if at any time the Company Board (or a committee thereof) has effected a Company Board Recommendation Change;

(g) by the Company, at any time prior to the Effective Time (whether prior to or after the receipt of the Requisite Stockholder Approval), if any condition set forth in Section 7.3 has failed to be satisfied or has become incapable of being satisfied by the Termination Date, except that if such failure is capable of being cured by the Termination Date, the Company shall not be entitled to terminate this Agreement pursuant to this Section 8.1(g) prior to the earlier of (x) the date that is 30 days following delivery by the Company to Parent of written notice thereof and (y) the Termination Date, it being understood that the Company shall not be entitled to terminate this Agreement if such failure has been cured prior to such earlier date;

(h) by the Company, at any time prior to the receipt of the Requisite Stockholder Approval, if (i) the Company has received a Superior Proposal; (ii) the Company Board (or a committee thereof) has authorized the Company to enter into, and, substantially concurrently with such termination the Company enters into, a definitive Alternative Acquisition Agreement to consummate the Acquisition Transaction contemplated by that Superior Proposal; (iii) the Company has complied in all material respects with Section 5.3 with respect to such Superior Proposal; and (iv) prior to or concurrently with such termination the Company pays (or causes to be paid) the Company Termination Fee due to Parent in accordance with Section 8.3(b)(iii); or

(i) by the Company, at any time prior to the Effective Time, if (i) all of the conditions set forth in Section 7.1 and Section 7.2 have been and continue to be satisfied or waived (other than those conditions that by their terms are to be satisfied at the Closing, each of which is capable of being satisfied at the Closing); (ii) Parent and Merger Sub fail to consummate the Merger on the date upon which Parent is required to consummate the Merger pursuant to Section 2.3; (iii) the Company has irrevocably notified Parent in writing that (A) it is ready, willing and able to consummate the Closing; and (B) all conditions set forth in Section 7.3 have been satisfied (other than those conditions that by their terms are to be satisfied at the Closing,

each of which is capable of being satisfied at the Closing) or that the Company is willing to waive any unsatisfied conditions set forth in Section 7.3; (iv) the Company has given Parent written notice at least three Business Days prior to such termination stating the Company's intention to terminate this Agreement pursuant to this Section 8.1(i) if Parent and Merger Sub fail to consummate the Merger on the date required pursuant to Section 2.3; and (v) Parent and Merger Sub fail to consummate the Merger by the end of the three-Business Day period contemplated by the foregoing clause (iv) and the date required pursuant to Section 2.3.

8.2 *Manner and Notice of Termination; Effect of Termination.*

(a) *Manner of Termination.* The Party terminating this Agreement pursuant to Section 8.1 (other than pursuant to Section 8.1(a)) must deliver prompt written notice thereof to the other Parties setting forth in reasonable detail the provision of Section 8.1 pursuant to which this Agreement is being terminated and the facts and circumstances forming the basis for such termination pursuant to such provision.

(b) *Effect of Termination.* Any proper and valid termination of this Agreement pursuant to Section 8.1 will be effective immediately upon the mutual written agreement of Parent and the Company or the delivery of written notice by the terminating Party to the other Parties. In the event of the termination of this Agreement pursuant to Section 8.1, this Agreement will be of no further force or effect without liability of any Party (or any partner, member, manager, stockholder, director, officer, employee, Affiliate, agent or other representative of such Party) to the other Parties, as applicable, except that Section 6.11, this Section 8.2, Section 8.3 and Article IX will each survive the termination of this Agreement in accordance with their respective terms. Notwithstanding the foregoing but subject to Section 8.3(g), nothing in this Agreement will relieve any Party from any liability for any willful breach of this Agreement. For purposes of this Agreement, "willful breach" means a material breach of this Agreement that is the consequence of an act or omission by a Party with the actual knowledge or intention that the taking of such act or omission would constitute, or would reasonably be expected to constitute, a material breach of this Agreement.

8.3 *Fees and Expenses.*

(a) *General.* Except as otherwise set forth herein, all fees and expenses incurred in connection with this Agreement and the Transactions will be paid by the Party incurring such fees and expenses whether or not the Merger is consummated. For the avoidance of doubt, Parent or the Surviving Corporation will be responsible for all fees and expenses of the Payment Agent. Parent will pay or cause to be paid all (i) transfer, stamp and documentary Taxes or fees; and (ii) sales, use, real property transfer and other similar Taxes or fees arising out of or in connection with entering into this Agreement and the consummation of the Merger. With respect to the preparation and filing of Tax Returns as related to the foregoing Taxes, Parent and the Company Group shall reasonably cooperate with each other and provide such documents and assistance as may be reasonably necessary to prepare all such Tax Returns, and Parent shall timely file such Tax Returns.

(b) *Company Payments.*

- (i) If (A) this Agreement is validly terminated pursuant to Section 8.1(c), Section 8.1(d) or Section 8.1(e); (B) following the execution and delivery of this Agreement and prior to the termination of this Agreement pursuant to Section 8.1(c), Section 8.1(d) or Section 8.1(e), an Acquisition Proposal for an Acquisition Transaction has been publicly announced or disclosed; and (C) within one year following the termination of this Agreement pursuant to Section 8.1(c), Section 8.1(d) or Section 8.1(e), as applicable, either an Acquisition Transaction is consummated or the Company enters into a definitive agreement providing for the consummation of an Acquisition Transaction, then the Company will concurrently with the consummation of such Acquisition Transaction pay (or cause to be paid) to Parent an amount equal to \$1,152,000 (the "**Company Termination Fee**"). For purposes of this

Section 8.3(b)(i), all references to “25%” in the definition of “Acquisition Transaction” will be deemed to be references to “50%.”

- (ii) If this Agreement is validly terminated pursuant to Section 8.1(f), then the Company must promptly (and in any event within two Business Days) following such termination pay (or cause to be paid) to Parent the Company Termination Fee.
- (iii) If this Agreement is validly terminated pursuant to Section 8.1(h), then prior to or concurrently with such termination the Company must pay (or cause to be paid) to Parent the Company Termination Fee; *provided*, that if the Company has entered into a definitive Alternative Acquisition Agreement to consummate an Acquisition Transaction with a Person or group of Persons that is an Exempted Party at the time of such termination, and such Alternative Acquisition Agreement is entered into on or prior to the No-Shop Period Start Date, then the “Company Termination Fee” shall mean an amount equal to \$576,000.

(c) *Parent Payments.* If this Agreement is validly terminated pursuant to Section 8.1(g) or Section 8.1(i), then Parent must promptly (and in any event within two Business Days) following such termination pay to the Company an amount equal to \$1,152,000 in cash (the “**Parent Termination Fee**”).

(d) *Single Payment Only; Liquidated Damages.* The Parties acknowledge and agree that in no event will the Company or Parent be required to pay the Company Termination Fee or Parent Termination Fee, as applicable, on more than one occasion, whether or not the Company Termination Fee or Parent Termination Fee, as applicable, may be payable pursuant to more than one provision of this Agreement at the same or at different times and upon the occurrence of different events. The Parties agree that each of the Company Termination Fee and the Parent Termination Fee constitutes liquidated damages and not a penalty.

(e) *No Company Termination Fee or Damages Related to Debt Financing or Alternative Debt Financing.* Notwithstanding anything to the contrary in this Agreement (including anything in this Section 8.3 or Section 8.1), in no event will the Company be obligated to pay the Company Termination Fee (to the extent triggered pursuant to Section 8.3(b)(i)) or any damages (whether direct, indirect, consequential or otherwise) to Parent, Merger Sub or any other Person, in each case, solely as a result of or arising out of (i) any failure of the Debt Financing to be consummated or funded by any lender under the ABL Loan Agreement (or failure of any Alternative Debt Financing to be consummated or funded by any lender under any Alternative Debt Financing) on the Closing Date or at any other time, (ii) any breach, termination, repudiation, default or failure to perform by any lender under the ABL Loan Agreement (or any lender under any Alternative Debt Financing Agreement) or any party (other than the Company or any of its Affiliates) to the ABL Loan Agreement Amendment (or any party (other than the Company or any of its Affiliates) to any Alternative Debt Financing Agreement), (iii) the failure of any conditions to the Debt Financing or any Alternative Debt Financing to be satisfied, (iv) the unavailability or insufficiency of the Debt Financing or any Alternative Debt Financing for any reason, (v) any breach by the Company of any representation, warranty, covenant or agreement in this Agreement to the extent that such breach relates to, results from, or is asserted in connection with, any of the matters described in clauses (i) through (iv), or (vi) any termination of this Agreement pursuant to any provision hereof to the extent the basis for such termination relates to, results from, or is asserted in connection with, any of the matters described in clauses (i) through (iv), in each case, unless any of the matters described in clauses (i)-(vi) were materially caused by the Company’s failure to comply with its obligations under Section 6.18(c) or Section 6.18(d). For the avoidance of doubt, nothing in this Section 8.3(e) shall limit or restrict Parent’s entitlement to the Company Termination Fee in the event the Company Termination Fee becomes payable under Section 8.3(b)(ii) or Section 8.3(b)(iii).

(f) *Sole and Exclusive Remedy.*

- (i) Under no circumstances will the collective monetary damages and any other amounts payable by Parent, Merger Sub or any of their Affiliates arising out of or relating to this Agreement, the Transactions, the termination of this Agreement, breaches of this Agreement, or the failure to consummate the Transactions exceed an amount in the aggregate (such aggregate amount, the “**Parent Liability Limitation**”) equal to \$1,152,000 plus any costs and connections in payable pursuant to Section 6.20. In no event will any of the Company Related Parties seek or obtain, nor will they permit any of their Representatives or any other Person acting on their behalf to seek or obtain, nor will any Person be entitled to seek or obtain, any monetary recovery or monetary award (A) in excess of the Parent Liability Limitation against Parent or Merger Sub; or (B) against the former, current or future direct or indirect holders of any equity, controlling persons, directors, officers, employees, agents, attorneys, Affiliates (other than Parent or Merger Sub), members, managers, general or limited partners, stockholders and assignees of each of Parent and Merger Sub (the Persons in clauses (A) and (B) collectively, the “**Parent Related Parties**”), and in no event will the Company Group be entitled to seek or obtain any monetary damages of any kind, including consequential, special, indirect or punitive damages, in excess of the Parent Liability Limitation against Parent or Merger Sub or in any case against the other Parent Related Parties for, or with respect to, this Agreement or the Transactions (including, any breach by Parent or Merger Sub), the termination of this Agreement, the failure to consummate any of the Transactions or any claims or actions under applicable law arising out of any such breach, termination or failure. Other than the obligations of Parent and Merger Sub to the extent expressly provided in this Agreement and other than the obligations of Parent, Merger Sub or any of their respective Affiliates to the extent expressly provided in the Confidentiality Agreement, in no event will any Parent Related Party or any other Person other than Parent and Merger Sub have any liability for monetary damages to the Company or any other Person relating to or arising out of this Agreement or the Transactions.
- (ii) Parent’s receipt of the aggregate amount of the Company Termination Fee, to the extent owed pursuant to Section 8.3(b), plus, to the extent applicable, any costs and connections in payable pursuant to Section 6.20, will be the maximum amount of monetary damages that Parent and Merger Sub and each of their respective Affiliates may recover from (A) the Company Group and each of its Affiliates; and (B) the former, current or future direct or indirect holders of any equity, controlling persons, directors, officers, employees, agents, attorneys, Affiliates, members, managers, general or limited partners, stockholders and assignees of the Company Group and its Affiliates (the Persons in clauses (A) and (B) collectively, the “**Company Related Parties**”) in respect of this Agreement, any agreement executed in connection herewith and the transactions contemplated hereby and thereby, the termination of this Agreement, the failure to consummate any of the Transactions or any claims or actions under applicable law arising out of any such breach, termination or failure. Upon payment to Parent of the Company Termination Fee plus, to the extent applicable, any costs and connections in payable pursuant to Section 6.20, (1) none of the Company Related Parties will have any further liability or obligation to Parent or Merger Sub relating to or arising out of this Agreement, any agreement executed in connection herewith or the transactions contemplated hereby and thereby or any matters forming the basis of such termination (except that the Parties (or their Affiliates) will remain

obligated with respect to, and Parent may be entitled to remedies with respect to, the Confidentiality Agreement, [Section 8.3\(a\)](#) and [Section 9.4](#), as applicable); and (2) none of Parent, Merger Sub or any other Person will be entitled to bring or maintain any claim, action or proceeding against the Company or any Company Related Party arising out of this Agreement, any agreement executed in connection herewith or the transactions contemplated hereby and thereby or any matters forming the basis for such termination (except that the Parties (or their Affiliates) will remain obligated with respect to, and Parent may be entitled to remedies with respect to, the Confidentiality Agreement, [Section 8.3\(a\)](#) and [Section 9.4](#), as applicable).

- (iii) Under no circumstances will the collective monetary damages and any other amounts payable by the Company for breaches under this Agreement exceed an amount equal to \$1,152,000 (such aggregate amount, the “**Company Liability Limitation**”). In no event will any of the Parent Related Parties seek or obtain, nor will they permit any of their Representatives or any other Person acting on their behalf to seek or obtain, nor will any Person be entitled to seek or obtain, any monetary recovery or monetary award in excess of the Company Liability Limitation against any of the Company Related Parties, and in no event will Parent, Merger Sub or the Parent Related Parties be entitled to seek or obtain any monetary damages of any kind, including consequential, special, indirect or punitive damages, in excess of the Company Liability Limitation against the Company Related Parties for, or with respect to, this Agreement or the Transactions, the termination of this Agreement, the failure to consummate any of the Transactions or any claims or actions under applicable law arising out of any such breach, termination or failure. Other than the obligations of the Company to the extent expressly provided in this Agreement and other than the obligations of the Company or any of its Affiliates to the extent expressly provided in the Confidentiality Agreement, in no event will any Company Related Party or any other Person other than the Company have any liability for monetary damages to Parent, Merger Sub or any other Person relating to or arising out of this Agreement or the Transactions.
- (iv) The Company’s receipt of the aggregate amount of the Parent Termination Fee, to the extent owed pursuant to [Section 8.3\(c\)](#), will be the maximum amount of monetary damages that the Company Group and its Affiliates may recover from the Parent Related Parties in respect of this Agreement, any agreement executed in connection herewith and the transactions contemplated hereby and thereby, the termination of this Agreement, the failure to consummate any of the Transactions or any claims or actions under applicable law arising out of any such breach, termination or failure. Upon payment to the Company of the Parent Termination Fee, (1) none of the Parent Related Parties will have any further liability or obligation to the Company relating to or arising out of this Agreement, any agreement executed in connection herewith or the transactions contemplated hereby and thereby or any matters forming the basis of such termination (except that the Parties (or their Affiliates) will remain obligated with respect to, and the Company may be entitled to remedies with respect to, the Confidentiality Agreement, [Section 8.3\(a\)](#) and [Section 9.4](#)); and (2) none of the Company Group or any other Person will be entitled to bring or maintain any claim, action or proceeding against Parent, Merger Sub or any Parent Related Party arising out of this Agreement, any agreement executed in connection herewith or the transactions contemplated hereby and thereby or any matters forming the basis for such termination (except that the Parties (or

their Affiliates) will remain obligated with respect to, and Company may be entitled to remedies with respect to, the Confidentiality Agreement, Section 8.3(a) and Section 9.4).

(g) *Acknowledgment Regarding Specific Performance.* Notwithstanding anything to the contrary in Section 8.3(g), it is agreed that Parent, Merger Sub and the Company will be entitled to an injunction, specific performance or other equitable relief as provided in Section 9.8(b), except that, although the Company, in its sole discretion, may determine its choice of remedies hereunder, including by pursuing specific performance in accordance with, but subject to the terms and limitations of, Section 9.8(b), under no circumstances will the Company be permitted or entitled to receive both specific performance of the type contemplated by Section 9.8(b) and any monetary damages.

(h) *Non-Recourse Parent Party.* In no event will the Company or any Company Related Parties seek or obtain, nor will they permit any of its Representatives to seek or obtain, nor will any Person be entitled to seek or obtain, any monetary recovery or monetary award against any Non-Recourse Parent Party (which excludes, for the avoidance of doubt, Parent and Merger Sub) with respect to this Agreement or the transactions contemplated hereby (including any breach by Parent or Merger Sub), the termination of this Agreement, the failure to consummate the transactions contemplated hereby or any claims or actions under applicable laws arising out of any such breach, termination or failure, other than (i) from Parent or Merger Sub to the extent expressly provided for in this Agreement; or (ii) from any Person that is party to, and solely pursuant to the terms and conditions of, the Confidentiality Agreement.

(i) *Non-Recourse Company Party.* In no event will Parent or Merger Sub or any Parent Related Parties seek or obtain, nor will they permit any of its Representatives to seek or obtain, nor will any Person be entitled to seek or obtain, any monetary recovery or monetary award against any Non-Recourse Company Party (other than the Company) with respect to this Agreement or the transactions contemplated hereby (including any breach by the Company), the termination of this Agreement, the failure to consummate the transactions contemplated hereby or any claims or actions under applicable laws arising out of any such breach, termination or failure, other than (i) from the Company to the extent expressly provided for in this Agreement; or (ii) from any Person that is party to, and solely pursuant to the terms and conditions of, the Confidentiality Agreement.

8.4 *Amendment.* Subject to applicable law and subject to the other provisions of this Agreement, this Agreement may be amended by the Parties at any time by execution of an instrument in writing signed on behalf of each of Parent, Merger Sub and the Company (pursuant to authorized action by the Company Board (or a committee thereof)), except that in the event that the Company has received the Requisite Stockholder Approval, no amendment may be made to this Agreement that requires the approval of the Company Stockholders pursuant to the DGCL without such approval.

8.5 *Extension; Waiver.* At any time and from time to time prior to the Effective Time, any Party may, to the extent legally allowed and except as otherwise set forth herein, (a) extend the time for the performance of any of the obligations or other acts of the other Parties, as applicable; (b) waive any inaccuracies in the representations and warranties made to such Party contained herein or in any document delivered pursuant to this Agreement; and (c) subject to the requirements of applicable law, waive compliance with any of the agreements or conditions for the benefit of such Party contained herein. Any agreement on the part of a Party to any such extension or waiver will be valid only if set forth in an instrument in writing signed by such Party. Any delay in exercising any right pursuant to this Agreement will not constitute a waiver of such right.

Article IX GENERAL PROVISIONS

9.1 *Survival of Representations, Warranties and Covenants.* The representations, warranties and covenants of the Company, Parent and Merger Sub contained in this Agreement will terminate at the Effective Time, except that any covenants that by their terms survive the Effective Time will survive the Effective Time in accordance with their respective terms.

9.2 *Notices.* All notices and other communications hereunder must be in writing and will be deemed to have been duly delivered and received hereunder (i) four Business Days after being sent by registered or certified mail, return receipt requested, postage prepaid; (ii) one Business Day after being sent for next Business Day delivery, fees prepaid, via a reputable nationwide overnight courier service; (iii) immediately upon delivery by hand (with a written or electronic confirmation of delivery) or by email (with electronic confirmation of receipt), in each case to the intended recipient as set forth below:

- (a) if to Parent or Merger Sub to:
Star Equity Holdings, Inc.
53 Forest Avenue, Suite 101
Old Greenwich, CT 06870
Attn: Legal Dept
Email: Legal@starequity.com

with a copy (which will not constitute notice) to:

Baker & Hostetler LLP
45 Rockefeller Plaza
New York, NY 10111
Attn: Adam Finerman
Email: afinerman@bakerlaw.com

- (b) if to the Company (prior to the Effective Time) to:
Harte Hanks, Inc.
1 Executive Drive
Chelmsford, MA 01824
Attn: David Garrison
Email: david.garrison@harte-hanks.com

with a copy (which will not constitute notice) to:

Baker Botts L.L.P.
910 Louisiana Street Houston, TX 77002
Attn: Travis Wofford; Carina Antweil
Email: travis.wofford@bakerbotts.com; carina.antweil@bakerbotts.com

Any notice sent by email or otherwise received at the addressee's location on any Business Day after 5:00 p.m., addressee's local time, or on any day that is not a Business Day will be deemed to have been received at 9:00 a.m., addressee's local time, on the next Business Day. From time to time, any Party may provide notice to the other Parties of a change in its address or email address through a notice given in accordance with this Section 9.2, except that notice of any change to the address or any of the other details specified in or pursuant to this Section 9.2 will not be deemed to have been received until, and will be deemed to have been received upon, the later of the date (A) specified in such notice; or (B) that is five Business Days after such notice would otherwise be deemed to have been received pursuant to this Section 9.2.

9.3 *Assignment.* No Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other Parties, except that Parent and Merger Sub will have the right to assign all or any portion of their respective rights and obligations pursuant to this Agreement from and after the Effective Time (a) in connection with a merger or consolidation involving Parent or Merger Sub or other disposition of all or substantially all of the assets of Parent, Merger Sub or the Surviving Corporation or (b) to any of their respective Affiliates and any Party may assign this Agreement or any of its rights, interests, or obligations hereunder without the prior written consent of the other Parties to Texas Capital Bank pursuant to the terms of the Debt Financing

solely for purposes of creating a security interest herein or otherwise assigning as collateral in respect of the Debt Financing, it being understood that, in each case, such assignment will not impede or delay the consummation of the Transactions or otherwise impede the rights of the holders of shares of Company Common Stock and Company Equity Awards pursuant to this Agreement. Subject to the preceding sentence, this Agreement will be binding upon and will inure to the benefit of the Parties and their respective successors and permitted assigns. No assignment by any Party will relieve such Party of any of its obligations hereunder.

9.4 *Confidentiality.* Parent, Merger Sub and the Company hereby acknowledge that Parent (together with its subsidiaries) and the Company (together with its subsidiaries) have previously executed a Non-Disclosure Agreement, dated January 8, 2026 (the “**Confidentiality Agreement**”), that will continue in full force and effect in accordance with its terms. Each of Parent, Merger Sub and their respective Representatives will hold and treat all documents and information concerning the Company Group furnished or made available to Parent, Merger Sub or their respective Representatives in connection with the Transactions in accordance with the Confidentiality Agreement, and the Company and its Representatives will hold and treat all documents and information concerning the Parent Group furnished or made available to the Company or its Representatives in connection with the Transactions in accordance with the Confidentiality Agreement; provided, however, that nothing in this Section 9.4 or in the Confidentiality Agreement will prohibit Parent, Merger Sub or any of their respective Representatives, or the Company or any of its Representatives, from making any disclosure required by applicable law, the rules or regulations of the SEC, NASDAQ or any other applicable stock exchange, any Governmental Authority or law, including in connection with the Form S-4, the Proxy Statement, any Other Required Filing or any disclosure made in compliance with Section 6.11.

9.5 *Entire Agreement.* This Agreement and the documents and instruments and other agreements among the Parties as contemplated by or referred to herein, including the Confidentiality Agreement and the Company Disclosure Letter, constitute the entire agreement among the Parties with respect to the subject matter hereof and supersede all prior agreements and understandings, both written and oral, among the Parties with respect to the subject matter hereof. Notwithstanding anything to the contrary in this Agreement, the Confidentiality Agreement will (a) not be superseded; (b) survive any termination of this Agreement; and (c) continue in full force and effect until the earlier to occur of the Effective Time and the date on which the Confidentiality Agreement expires in accordance with its terms or is validly terminated by the parties thereto.

9.6 *Third Party Beneficiaries.* Except as set forth in Section 6.7 and this Section 9.6, the Parties agree that their respective representations, warranties and covenants set forth in this Agreement are solely for the benefit of the other Parties in accordance with and subject to the terms of this Agreement. This Agreement is not intended to, and will not, confer upon any other Person any rights or remedies hereunder, except (a) as set forth in or contemplated by Section 6.7; and (b) from and after the Effective Time, the rights of the holders of shares of Company Common Stock and Company Equity Awards to receive the Merger Consideration set forth in Article II.

9.7 *Severability.* In the event that any provision of this Agreement, or the application thereof, becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Agreement will continue in full force and effect and the application of such provision to other Persons or circumstances will be interpreted so as reasonably to effect the intent of the Parties. The Parties further agree to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of such void or unenforceable provision.

9.8 *Remedies.*

(a) *Remedies Cumulative.* Except as otherwise provided herein, any and all remedies herein expressly conferred upon a Party will be deemed cumulative with and not exclusive of any other remedy conferred hereby or by law or equity upon such Party, and the exercise by a Party of any one remedy will not preclude the exercise of any other remedy. Although the Company may pursue both a grant of specific performance and monetary damages (including the payment of the Parent Termination Fee), under no circumstances will the Company be permitted or entitled to receive both a grant of specific performance that results in the occurrence of the Closing and monetary damages (including any monetary damages in lieu of specific performance and all or any portion of the Parent Termination Fee).

(b) *Specific Performance.*

- (i) The Parties agree that irreparable damage for which monetary damages, even if available, would not be an adequate remedy would occur in the event that the Parties do not perform the provisions of this Agreement (including any Party failing to take such actions as are required of it hereunder in order to consummate this Agreement) in accordance with its specified terms or otherwise breach such provisions. The Parties acknowledge and agree that, (A) the Parties will be entitled, in addition to any other remedy to which they are entitled at law or in equity, to an injunction, specific performance and other equitable relief to prevent breaches (or threatened breaches) of this Agreement and to enforce specifically the terms and provisions hereof; (B) the provisions of Section 8.3 are not intended to and do not adequately compensate the Company, on the one hand, or Parent and Merger Sub, on the other hand, for the harm that would result from a breach of this Agreement, and will not be construed to diminish or otherwise impair in any respect any Party's right to an injunction, specific performance and other equitable relief; and (C) the right of specific enforcement is an integral part of the Merger and without that right, neither the Company nor Parent would have entered into this Agreement. It is explicitly agreed that the Company shall have the right to an injunction, specific performance or other equitable remedies in connection with enforcing Parent's and Merger Sub's obligations to consummate the Merger, provided that (1) all conditions set forth in Section 7.1 and Section 7.2 have been satisfied or waived, (2) the Debt Financing (or any Alternative Debt Financing) has been funded or will be funded substantially concurrently with such specific performance, (3) the Company has irrevocably confirmed in writing that if specific performance is granted and the Debt Financing or any Alternative Debt Financing is funded, it will consummate the Closing, and (4) Parent and Merger Sub are otherwise required to consummate the Closing pursuant to Section 2.3.
- (ii) The Parties agree not to raise any objections to (A) the granting of an injunction, specific performance or other equitable relief to prevent or restrain breaches or threatened breaches of this Agreement by the Company, on the one hand, or Parent and Merger Sub, on the other hand; and (B) the specific performance of the terms and provisions of this Agreement to prevent breaches or threatened breaches of, or to enforce compliance with, the covenants, obligations and agreements of Parent and Merger Sub pursuant to this Agreement. Any Party seeking an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement will not be required to provide any bond or other security in connection with such injunction or enforcement, and each Party irrevocably waives any right that it may have to require the obtaining, furnishing or posting of any such bond or other security.

9.9 *Governing Law.* This Agreement is governed by and construed in accordance with the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

9.10 *Consent to Jurisdiction.*

(a) *General Jurisdiction.* Each of the Parties (i) irrevocably consents to the service of the summons and complaint and any other process (whether inside or outside the territorial jurisdiction of the Chosen Courts) in any Legal Proceeding relating to the Transactions, for and on behalf of itself or any of its properties or assets, in accordance with Section 9.2 or in such other manner as may be permitted by applicable law, and nothing in this Section 9.10 will affect the right of any Party to serve legal process in any other manner permitted by applicable law; (ii) irrevocably and unconditionally consents and submits itself and its properties and assets in any Legal Proceeding to the exclusive jurisdiction of the Court of Chancery of the State of Delaware

and any state appellate court therefrom within the State of Delaware (or, if the Court of Chancery of the State of Delaware declines to accept jurisdiction over a particular matter, any federal court within the State of Delaware) (the “**Chosen Courts**”) in the event that any dispute or controversy arises out of this Agreement or the transactions contemplated hereby; (iii) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court; (iv) agrees that any Legal Proceeding arising in connection with this Agreement or the transactions contemplated hereby will be brought, tried and determined only in the Chosen Courts; (v) waives any objection that it may now or hereafter have to the venue of any such Legal Proceeding in the Chosen Courts or that such Legal Proceeding was brought in an inconvenient court and agrees not to plead or claim the same; and (vi) agrees that it will not bring any Legal Proceeding relating to this Agreement or the transactions contemplated hereby in any court other than the Chosen Courts. Each of Parent, Merger Sub and the Company agrees that a final judgment in any Legal Proceeding in the Chosen Courts will be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable law.

9.11 **WAIVER OF JURY TRIAL.** EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY THAT MAY ARISE OUT OF OR RELATE TO THIS AGREEMENT, OR THE NEGOTIATION, VALIDITY OR PERFORMANCE OF THIS AGREEMENT, OR THE MERGER, IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT THAT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL PROCEEDING (WHETHER FOR BREACH OF CONTRACT, TORTIOUS CONDUCT OR OTHERWISE) DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE MERGER, THE DEBT FINANCING OR ANY ALTERNATIVE DEBT FINANCING. EACH PARTY ACKNOWLEDGES AND AGREES THAT (a) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER; (b) IT UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER; (c) IT MAKES THIS WAIVER VOLUNTARILY; AND (d) IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.11.

9.12 **Company Disclosure Letter References.** The Parties agree that the disclosure set forth in any particular section or subsection of the Company Disclosure Letter will be deemed to be an exception to (or, as applicable, a disclosure for purposes of) (a) the representations and warranties (or covenants, as applicable) of the Company that are set forth in the corresponding Section or subsection of this Agreement; and (b) any other representations and warranties (or covenants, as applicable) of the Company that are set forth in this Agreement, but in the case of this clause (b) only if the relevance of that disclosure as an exception to (or a disclosure for purposes of) such other representations and warranties (or covenants, as applicable) is reasonably apparent on the face of such disclosure.

9.13 **Counterparts.** This Agreement and any amendments hereto may be executed in one or more counterparts, all of which will be considered one and the same agreement and will become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Parties, it being understood that all Parties need not sign the same counterpart. Any such counterpart, to the extent delivered by .pdf, .tif, .gif, .jpg or similar attachment to email (any such delivery, an “**Electronic Delivery**”), will be treated in all manner and respects as an original executed counterpart and will be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. No Party may raise the use of an Electronic Delivery to deliver a signature, or the fact that any signature or agreement or instrument was transmitted or communicated through the use of an Electronic Delivery, as a defense to the formation of a contract, and each Party forever waives any such defense, except to the extent such defense relates to lack of authenticity.

9.14 **No Limitation.** It is the intention of the Parties that, to the extent possible, unless provisions are mutually exclusive and effect cannot be given to both or all such provisions, the representations, warranties, covenants and closing conditions in this Agreement will be construed to be cumulative and that each representation, warranty, covenant and closing condition in this Agreement will be given full, separate and independent effect and nothing set forth in any provision herein will in any way be deemed to limit the scope, applicability or effect of any other provision hereof.

9.15 **Performance Guarantee.** Parent hereby guarantees the due, prompt and faithful performance and discharge by, and compliance with, all of the obligations, covenants, terms, conditions

and undertakings of Merger Sub under this Agreement in accordance with the terms hereof, including any such obligations, covenants, terms, conditions and undertakings that are required to be performed, discharged or complied with following the Effective Time by the Surviving Corporation.
[Signature pages follow.]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed and delivered by their respective duly authorized officers as of the date first written above.

STAR EQUITY HOLDINGS, INC.

By: /s/Jeffrey E. Eberwein
Name: Jeffrey E. Eberwein
Title: CEO

MERGER SUB - R, INC.

By: Jeffrey E. Eberwein
Name: Jeffrey E. Eberwein
Title: President

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed and delivered by their respective duly authorized officers as of the date first written above.

HARTE HANKS, INC.

By: /s/David Fisher
Name: David Fisher
Title: President



August 12, 2026

PERSONAL AND CONFIDENTIAL

The Board of Directors Harte Hanks, Inc.
1 Executive Drive
Chelmsford, MA 01824

Members of the Board of Directors of Harte Hanks, Inc.:

We understand that Harte Hanks, Inc. (the “**Company**”), Star Equity Holdings, Inc. (“**Parent**”) and Merger Sub – R, Inc. (“**Merger Sub**”) propose to enter into an Agreement and Plan of Merger (the “**Agreement**”), which provides, among other things, for the merger of Merger Sub with and into the Company (the “**Merger**”), as a result of which the Company will become a wholly-owned subsidiary of Parent.

Pursuant to the Agreement, each outstanding share of common stock of the Company, par value \$1.00 per share (the “**Company Common Stock**”) (other than Owned Company Shares (as defined in the Agreement)) will be converted into the right to receive, at the election of the holder (A) cash in an amount equal to \$5.00 per share, without interest (the “**Cash Consideration**”); (B) 0.50 shares of Parent Preferred Stock (as defined in the Agreement) (the “**Preferred Stock Consideration**”, and together with the Cash Consideration, and any combination, and any cash in lieu of fractional shares of Parent Preferred Stock, collectively the “**Merger Consideration**”), or (C) the Cash Consideration, the Preferred Stock Consideration or a combination of both, in each case subject to election, proration and adjustment pursuant to Sections 2.7 and 2.8 of the Agreement.

The terms and conditions of the Merger are more fully set forth in the Agreement. Capitalized terms used herein shall have the meanings used in the Agreement, unless otherwise defined herein.

You have asked for our opinion as to whether the Merger Consideration to be received by the holders of the Company Common Stock (other than the Parent and its affiliates) in the Merger is fair, from a financial point of view, to such holders.

For purposes of the opinion set forth herein, we have:

- (i) reviewed certain publicly available financial statements and certain other business and financial information relating to the Company furnished to Citizens JMP Securities, LLC (“**Citizens**”);
- (ii) reviewed certain internal financial statements and other financial and operating data concerning the Company prepared by the management of the Company;
- (iii) reviewed certain financial forecasts prepared by the management of the Company;
- (iv) compared the financial performance of the Company with that of certain other publicly-traded companies that we believe are generally comparable to the Company;
- (v) reviewed the financial terms, to the extent publicly available, of certain acquisition transactions involving companies in lines of business that we believe are generally comparable to the Company;
- (vi) participated in discussions with members of the senior management of the Company with respect to the business prospects and financial outlook of the Company;
- (vii) reviewed the Agreement draft dated as of August 10, 2026 and certain related documents; and
- (viii) performed such other analysis and considered such other factors as we deemed appropriate.

In conducting our review and arriving at our opinion, we have assumed and relied, without independent verification, upon the accuracy and completeness of all information and data that was publicly available or furnished to or otherwise reviewed by or discussed with us. We have further relied upon the assurance of the management of the Company that they are not aware of any facts or circumstances that would make such information inaccurate or misleading. With respect to the financial forecasts of the Company, the management of the Company has advised us, and we have assumed, that they have been reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of the Company as to the future financial performance of the Company and other matters covered thereby. We have not been engaged to assess the reasonableness or achievability of such forecasts or the assumptions on which they were based and express no view as to such forecasts or assumptions.

For purposes of rendering our opinion, we have assumed that the representations and warranties of each party contained in the Agreement are true and correct, that each party will perform all of the covenants and agreements required to be performed by it under the Agreement and that all conditions to the consummation of the Merger will be satisfied without waiver thereof. We have assumed that the final form of the Agreement will not vary materially from the last draft Agreement reviewed by us and that the Merger will be consummated substantially on the terms described in such draft, without any amendment or waiver of material terms or conditions. We have also assumed that all necessary governmental, regulatory and other consents and approvals contemplated by the Agreement will be obtained and that in the course of obtaining those consents and approvals no costs or restrictions will be imposed or waivers made that would have an adverse effect on the contemplated benefits of the Merger.

We are not legal, tax or regulatory advisors and have relied upon, without independent verification, the assessment of the Company and their legal, tax or regulatory advisors with respect to legal, tax or regulatory matters. We are not in the business of appraising tangible assets and have not made any independent valuation or appraisal of any or all of the assets or liabilities (including any contingent, derivative or off-balance-sheet assets or liabilities) of the Company, nor have we been furnished with any such valuations or appraisals. In addition, we have not evaluated the solvency of any party to the Agreement under any state or federal laws relating to bankruptcy, insolvency or similar matters. Our opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof may affect this opinion and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this opinion.

We were not requested to consider, and our opinion does not address, the Company's underlying business decision to enter into the Agreement and pursue the Merger, or the relative merits of the Merger as compared to any alternative business strategies that might exist for the Company or the effect of any other transaction in which the Company might engage. We are not requested to consider, and our opinion does not address, the non-financial terms of the Agreement or the Merger, nor does it address the terms of any of the related agreements to be entered into by the parties. Our opinion addresses only the Merger Consideration to be received by the holders of Company Common Stock (other than Owned Company Shares) in the Merger. We were not requested to consider, and our opinion does not address, the fairness of any consideration to be received in the Merger by the holders of any other class or series of capital stock, creditors or other constituencies of the Company, the allocation of the Merger Consideration amongst the holders of any class or series of capital stock, creditors or other constituencies of the Company, the conversion ratio pursuant to the Agreement for any class or series of capital stock or any election, proration or adjustment of the Merger Consideration. We have assumed that the value of the Parent Preferred Stock is the liquidation preference of \$10.00 per share, and we express no opinion as to the price at which the Parent Preferred Stock may be sold at in the future. Furthermore, we express no opinion with respect to the amount or nature of any compensation to be received by any officers, directors or employees of any party to the Merger, or any class of such persons, relative to the Merger Consideration to be paid to the holders of the Company Common Stock in the Merger or otherwise, or with respect to the fairness of any such compensation.

We, as part of our investment banking business, are customarily engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of securities, private placements and valuations for estate, corporate and other purposes.

We have acted as financial advisor to the Company in connection with the Merger and will receive a fee for our services, a portion of which is payable for providing this opinion and a significant portion of which will become payable only if the Merger is consummated. In addition, the Company has agreed to indemnify us against certain liabilities arising out of our engagement. We have not otherwise had a material relationship with, nor otherwise received fees from, the Company or any other party to the Merger during the two years preceding the date hereof.

In the ordinary course of our trading, brokerage, investment management and financing activities, we or our affiliates may at any time hold long or short positions, and may trade or otherwise effect transactions, for our own account or the accounts of customers, in debt or equity securities of other companies or any currency that may be involved in the Merger. In the future, we may maintain other relationships with, and provide advisory and other services to the Company, Parent and their respective affiliates, and may receive fees for providing such services.

This opinion is given at the request of, and is intended for the benefit and use of, the Board of Directors of the Company in connection with its consideration of the Merger, and it is not intended to be and does not constitute a recommendation to any shareholder of the Company as to how such shareholder should vote or act on any matter relating to the Merger. This opinion shall not be used for any other purpose, and may not be disseminated, reproduced, quoted from or referred to at any time, without our prior written approval; provided that this opinion may be included in its entirety in any proxy statement, information statement or solicitation/recommendation statement on Schedule 14d-9 required to be delivered to the Company’s stockholders in connection with the Merger, and provided further that we shall have a reasonable opportunity to review, comment on and approve any summary of or reference to this opinion contained in such statements in advance of any such delivery.

The issuance of this opinion was approved by our fairness opinion review committee.

Based upon and subject to the foregoing, we are of the opinion on the date hereof that the Merger Consideration to be received by the holders of the Company Common Stock (other than Owned Company Shares) in the Merger is fair, from a financial point of view, to such holders.

Very truly yours,

/s/ CITIZENS JMP SECURITIES, LLC

Solely for purposes of this Annex C, references to “the Company,” “we,” “us,” and “our” refer to Star Equity Holdings, Inc., as defined below.

This Annex C includes disclosure from Star’s Annual Report on Form 10-K for the fiscal year ended December 31, 2025, filed on March 20, 2026, including Star’s audited consolidated financial statements and related notes and Management’s Discussion and Analysis of Financial Condition and Results of Operations for the years ended December 31, 2025 and 2024. This Annex C also includes Star’s unaudited condensed consolidated financial statements and related notes and Management’s Discussion and Analysis of Financial Condition and Results of Operations for the three and six months ended June 30, 2026 and 2025, from Star’s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2026, filed on August 14, 2026.

BUSINESS

General

Star Equity Holdings, Inc. (“Star Equity,” “Star,” the “Company,” “we,” or “our,” formerly known as Hudson Global, Inc. (“Hudson”)) is a diversified multi-industry holding company operating through four reportable segments: Building Solutions, Business Services, Energy Services, and Investments. Our common stock and 10% Series A Cumulative Perpetual Preferred Stock are listed on the Nasdaq Global Market under the symbols “STRR” and “STRRP,” respectively.

The Building Solutions segment operates in the construction industry. The Business Services segment, which consists of Hudson Talent Solutions, LLC (“HTS”), delivers customized recruitment and contracting solutions to mid-to-large multinational companies, including Recruitment Process Outsourcing (“RPO”), project-based RPO, contingent workforce solutions, recruitment consulting, outsourced professional contract staffing, and managed service provider (“MSP”) services. The Energy Services segment consists of Alliance Drilling Tools, Inc. (“ADT”), which manufactures and supplies specialized drilling tools and downhole equipment used in directional drilling for oil and gas well construction as well as other applications, including mining, geothermal, and water wells. The Investments segment holds and manages certain corporate-owned real estate assets and investments in a limited number of publicly traded and private companies.

Merger

On August 22, 2025, Star completed its previously announced acquisition of Star Operating Companies, Inc. (“SOC” or “Star Operating Companies”, formerly known as Star Equity Holdings, Inc.) pursuant to the Agreement and Plan of Merger, dated as of May 21, 2025 (the “Merger Agreement”), by and among Star, SOC and HSON Merger Sub, Inc., a wholly owned subsidiary of Star (“Merger Sub”). Upon the terms and subject to the conditions of the Merger Agreement, on August 22, 2025, at the effective time (the “Effective Time”) of the closing of the transaction pursuant to the Merger Agreement (the “Merger”), Merger Sub merged with and into SOC, with SOC continuing as the surviving corporation of the Merger under the name “Star Operating Companies, Inc.” as a wholly owned subsidiary of Star. Capitalized terms used herein but not defined have the meanings set forth in the Merger Agreement.

Pursuant to the terms of the Merger Agreement, at the Effective Time, (i) each share of common stock of SOC issued and outstanding immediately prior to the Effective Time (other than certain shares as set forth in the Merger Agreement) were automatically converted into the right to receive 0.23 shares of Star common stock and (ii) each share of preferred stock of SOC issued and outstanding immediately prior to the Effective Time (other than certain shares set forth in the Merger Agreement) were automatically converted into the right to receive one (1) share of Star 10% Series A Cumulative Perpetual preferred stock (“Preferred Stock”). As a result of the Merger, former SOC common stockholders received approximately 744,291 shares of Star common stock for their SOC common shares and former SOC preferred stock stockholders received approximately 2,690,637 shares of Star Preferred Stock. No fractional shares of Star common stock were issued in the Merger, and SOC stockholders became entitled to receive cash in lieu of fractional shares in accordance with the Merger Agreement.

In addition, pursuant to the terms of the Merger Agreement, at the Effective Time, each award of SOC restricted stock units (“RSUs”) outstanding immediately prior to the Effective Time was converted into Star RSUs issued under the Hudson Global, Inc. 2009 Incentive Stock and Awards Plan, as amended (the “Plan”), in accordance with the Merger Agreement.

Amendment to Certificate of Incorporation

On September 4, 2025, Star Equity filed a certificate of amendment (the “Amendment”) to the Company’s Amended and Restated Certificate of Incorporation, as Amended (the “Charter”), to change the name of the Company from Hudson Global, Inc. to Star Equity Holdings, Inc. (the “Name Change”). The Name Change was approved by the Company’s Board of Directors (the “Board”) on September 2, 2025, and became effective at 12:01 a.m. (Eastern Time) on September 5, 2025.

Strategy

Star Equity Holdings, Inc.

Star Equity Holdings, Inc. operates as a diversified holding company. Corporate management focuses on capital allocation, strategic oversight, mergers and acquisitions, capital markets activities, investor relations, and oversight of the Investments segment. Operating subsidiaries are responsible for day-to-day operations, organic growth initiatives, and operational performance.

The Company periodically evaluates strategic alternatives intended to enhance its market position, improve profitability, generate liquidity, and increase shareholder value. Such alternatives may include organic growth initiatives, selective acquisitions, divestitures, business combinations, equity offerings, debt financings, and corporate restructurings. The timing and structure of any such transactions depend on market conditions, available capital, valuation considerations, and other relevant factors.

Operating Businesses

The Company operates in markets that management believes offer opportunities for growth. The principal elements of the Company’s growth strategy include the following:

- ***Organic growth from our core businesses.*** The Company operates in markets and geographies that management believes provide opportunities for growth in its core businesses. The Company’s primary focus is on markets in which it currently maintains a presence, allowing it to leverage existing personnel, infrastructure, and brand recognition.
- ***Expansion of service offerings.*** The Company evaluates opportunities to broaden its service offerings to better serve its customer base, including expansion into adjacent market segments and complementary services.
- ***Acquisition of complementary businesses.*** The Company intends to continue evaluating complementary businesses that meet its financial and strategic acquisition criteria. Potential targets may include small public and private companies that can be integrated into the Company’s existing platform, as well as larger, more transformative transactions, subject to assessments of value, risk, and expected return. The timing and structure of any such transactions will depend on market conditions, availability of capital, valuation considerations, and other relevant factors. The Company does not intend to pursue transactions unless management determines that the anticipated post-transaction value creation is favorable to stockholders.

Segments

The Company operates four segments: Building Solutions, Business Services, Energy Services, and Investments. Building Solutions includes KBS Builders, Inc. (“KBS”), EdgeBuilder, Inc. (“EdgeBuilder”), Glenbrook Building Supply, Inc. (“Glenbrook”) (together, “EBGL”), and Timber Technologies Solutions, Inc. (“TT”), which manufacture modular buildings, structural wall panels, engineered wood products, and glue-laminated timber for residential, commercial, and industrial markets. The Business Services segment consists of Hudson Talent Solutions (“HTS”) and provides RPO, contingent workforce solutions, recruitment consulting, outsourced professional contract staffing, and MSP services across eighteen countries across three geographic regions: the Americas, Asia Pacific, and Europe, Middle East, and Africa. The Energy Services segment consists of ADT, a Wyoming- and Texas-based provider of downhole drilling tools and services to the oil and gas, geothermal, mining, and waterwell sectors, with a cost structure that allows most variable costs to be passed through to customers. The Investments segment holds and manages certain corporate-owned real estate assets and investments in a limited number of publicly traded and private companies.

Our reportable segments are based upon our internal organizational structure, the manner in which our operations are managed, the criteria used by our Chief Executive Officer (Chief Operating Decision Maker or “CODM”) to evaluate segment performance, the availability of separate financial information, and overall materiality considerations. See Note 17. Segments, within the notes to our accompanying consolidated financial statements.

We continue to explore strategic alternatives to maximize value for the Company’s stockholders, including, without limitation, improving the market position and profitability of our services and enhancing our valuation. We may pursue these objectives through organic growth, strategic initiatives, or other alternatives.

In addition, we will continue to monitor capital markets for opportunities to repurchase shares and consider other actions designed to enhance stockholder value. From time to time, we also review potential acquisition or business combination opportunities and may provide information to third parties regarding potential dispositions of assets or business lines.

Clients

The Company serves a diverse client base across multiple industries through its operating segments, including construction, energy, and global talent solutions, with customers that include mid-to-large multinational corporations, commercial contractors, energy companies, and government agencies. For the years ended December 31, 2025 and 2024, approximately 73% and 85% of revenue, respectively, was generated by its top 25 clients. In 2025, one client accounted for 23% of revenue, while in 2024 three clients accounted for an aggregate of 46% of revenue. As of December 31, 2025 and 2024, one client represented approximately 14% and 24% of accounts receivable, respectively. Our business is dependent upon the continuation of these business relationships as well as new client development. As part of our client retention and renewal strategy, we continue to develop and foster long-term relationships, and have been successful in retaining and negotiating multi-year (three to five year) contracts with most of our key partners.

Competition

The markets for our Business Services, Energy Services, and Building Solutions segments are highly competitive and, in certain cases, characterized by limited barriers to entry and market fragmentation. Competition is based on factors such as industry expertise, product and service quality, geographic reach, operational scale, pricing, and the ability to efficiently execute and deliver projects. In our Energy Services segment, demand is closely tied to oil prices, as customer drilling activity and capital spending are influenced by prevailing market conditions. In our Building Solutions segment, activity levels are influenced by broader construction trends, interest rates, and access to project financing. Companies with greater scale, operational efficiencies, and differentiated capabilities may achieve competitive advantages and improved margins across these markets.

Intellectual Property

Intellectual property in our businesses primarily consists of trademarks held.

Patents

We do not hold any patents within our businesses.

Raw Materials

Building Solutions.

KBS, EBGL and TT operate in the wood-based construction market. The primary raw materials used in their production processes include dimensional lumber, mainly spruce-pine-fir, and sheathing/sheet goods (OSB and plywood). The majority of underlying raw material for KBS, EBGL, and TT are sourced by wholesalers and mills in the United States, though from time to time limited quantities are also sourced from Canada. These businesses depend on the reliability of the lumber supply chain and are sensitive to varying degrees to wood-based commodity price fluctuations.

Raw materials are not material to the operations of the Company’s other business segments.

Manufacturing

Building Solutions.

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-scale multi-family buildings including apartments, condominiums, townhouses, and dormitories. The structures are built inside our climate-controlled factories and are then transported to the site where they are set, assembled, and secured to 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 acceptance and is a preferred building method 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 or other materials damage due to materials absorbing moisture from rain or snow; reduced site work; improved safety and security; reduced vandalism and attrition; and a significant reduction in overall project time. Manufacturing is not material to the operations of the Company's other business segments.

EBGL consists of two separate companies (EdgeBuilder and Glenbrook) operating in tandem with a common management team. EdgeBuilder manufactures wall panels and permanent wood foundations 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 for 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.

Glenbrook, as a retailer of professional building products, is not directly involved in manufacturing but does often sell and ship product in tandem with EdgeBuilder wall panel deliveries. As the 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 to ensure adherent builds.

TT started operations in 2003 and has been manufacturing glue-laminated (glulam) wood columns and beams for post frame builders since that time. Timber Technologies products include treated and untreated columns for sidewalls and end walls in post frame buildings, glue-laminated headers and beams, and architectural grade beams for high-end commercial structures.

Human Capital Resources

The Company's success significantly depends upon its workforce. The Company employs approximately 1,200 people worldwide, of which approximately 950 employees are within its Business Services segment, including approximately 110 employees in the United States ("U.S.") and 840 employees internationally. The Company is dedicated to acquiring, investing in, and retaining top talent. Business Services global and regional employees have vast training and expertise across human capital solutions. Specifically, of the Company's Business Services employees, approximately 870 are client-facing consultants who sell and deliver talent solutions services to its existing client base. The Company's consultant population has deep expertise in specific functional areas and industry sectors, and provides broad-based recruitment and solution services based on the needs of each client on a regional and global basis.

The Company has a total of 245 employees in its Building Services and Energy Services segments, of which 162 were employed in manufacturing, 17 in operational roles, 37 in general and administrative functions, and 29 in marketing and sales. All of our 245 employees are full-time employees. All positions are in the United States. We also utilize varying amounts of temporary workers as necessary to fulfill customer requirements.

Our regional well-being programs are rolling out a variety of initiatives aimed at raising awareness and encouraging employees to look after their health and well-being. Our employee assistance programs offer additional support and information to our staff and a range of additional training modules were rolled out focusing on topics such as mental health awareness, health and wellness in the workplace, and keeping remote teams connected.

Employees have access to a range of training courses, including courses on anti-harassment, discrimination, and unconscious bias. eLearning is an integral part of the continuous development journey that we offer. We have access to over 200 hours of learning modules.

All our employees play an important part in contributing to and shaping our culture. We have taken actions to enhance our employees' experience working for the Company through the implementation of a continuous performance management framework in order to drive employees' performance, development, and engagement. We have policies to prevent discrimination based on gender, race, disability, ethnicity, nationality, religion, and other classes of persons, recognized within the varied regions we work. We take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. We also take affirmative action to employ and advance veterans in employment. We have not experienced any abnormal work stoppages and consider our employee relations to be good.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2025

This Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) should be read in conjunction with the Consolidated Financial Statements and the notes thereto, included in Item 8 of this Form 10-K. This MD&A contains forward-looking statements. Please see “FORWARD-LOOKING STATEMENTS” for a discussion of the uncertainties, risks, and assumptions associated with these statements. This MD&A also uses the non-generally accepted accounting principle measure of earnings before interest, taxes, depreciation and amortization (“EBITDA”). See Note 18 to the Consolidated Financial Statements in Item 8 for EBITDA segment reconciliation information. Note that amounts within this Item shown in millions may not recalculate due to rounding. All defined terms included in this MD&A for the year ended December 31, 2025 shall be as defined in this discussion.

This MD&A includes the following sections:

- Executive Overview
- Results of Operations
- Liquidity and Capital Resources
- Contingencies
- Critical Accounting Estimates
- Recent Accounting Pronouncements
- Forward-Looking Statements

Executive Overview

Star Equity Holdings, Inc. is a diversified multi-industry holding company operating through four reportable segments: Building Solutions, Business Services, Energy Services, and Investments. Our common stock and 10% Series A Cumulative Perpetual Preferred Stock are listed on the Nasdaq Global Market under the symbols “STRR” and “STRRP,” respectively.

The Building Solutions segment operates in the construction industry. The Business Services segment, which consists of HTS, delivers customized recruitment and contracting solutions to mid-to-large multinational companies, including Recruitment Process Outsourcing (“RPO”), project-based RPO, contingent workforce solutions, recruitment consulting, outsourced professional contract staffing, and MSP services. The Energy Services segment consists of ADT, which manufactures and supplies specialized drilling tools and downhole equipment used in directional drilling and other oil and gas well construction applications. The Investments segment holds and manages certain corporate-owned real estate assets and investments in a limited number of publicly traded and private companies.

Merger

On August 22, 2025, Star completed its previously announced acquisition of Star Operating Companies (formerly known as Star Equity Holdings, Inc.) pursuant to the Merger Agreement, by and among Star, SOC and Merger Sub. Upon the terms and subject to the conditions of the Merger Agreement, on August 22, 2025, at the Effective Time of the Merger, Merger Sub merged with and into SOC, with SOC continuing as the surviving corporation of the Merger under the name “Star Operating Companies, Inc.” as a wholly owned subsidiary of Star. Capitalized terms used herein but not defined have the meanings set forth in the Merger Agreement.

Pursuant to the terms of the Merger Agreement, at the Effective Time, (i) each share of common stock of SOC issued and outstanding immediately prior to the Effective Time (other than certain shares as set forth in the Merger Agreement) were automatically converted into the right to receive 0.23 shares of Star common stock and (ii) each share of preferred stock of SOC issued and outstanding immediately prior to the Effective Time (other than certain shares set forth in the Merger Agreement) were automatically converted into the right to receive one (1) share of Star 10% Series A Cumulative Perpetual Preferred Stock. As a result of the Merger, former SOC common stockholders received approximately 744,291 shares of Star common stock for their SOC common shares and former SOC preferred stockholders received approximately 2,690,637 shares of Star Preferred Stock. No fractional shares of Star common stock were issued in the Merger, and SOC stockholders became entitled to receive cash in lieu of fractional shares in accordance with the Merger Agreement.

In addition, pursuant to the terms of the Merger Agreement, at the Effective Time, each award of SOC RSUs outstanding immediately prior to the Effective Time was converted into Star RSUs issued under the Hudson Global, Inc. 2009 Incentive Stock and Awards Plan, as amended (the “Plan”), in accordance with the Merger Agreement.

Amendment to Certificate of Incorporation

On September 4, 2025, Star Equity filed an Amendment to the Company’s Charter, to affect the Name Change. The Name Change was approved by the Company’s Board on September 2, 2025, and became effective at 12:01 a.m. (Eastern Time) on September 5, 2025.

Segments

The Company’s Building Solutions segment consists of the following operating businesses: KBS; EdgeBuilder; Glenbrook; and TT. KBS, based in Maine, manufactures modular buildings, primarily serving the single-family and multi-family residential markets in New England. EBGL, based in the Minneapolis-Saint Paul area, manufactures and delivers structural wall panels and other engineered wood-based products and distributes building materials through two lumberyard locations, primarily serving professional builder customers in the Upper Midwest region. TT, located outside the Minneapolis-Saint Paul area, manufactures glulam products for a range of end markets and applications, including agriculture, industrial, infrastructure, and building construction (commercial and residential).

The Business Services segment consists of HTS and provides customized recruitment and contracting solutions to mid-to-large multinational companies. Service offerings include RPO, project-based RPO, contingent workforce solutions, recruitment consulting, outsourced professional contract staffing, and MSP services. HTS operates directly in eighteen countries across three geographic regions: the Americas, Asia Pacific, and Europe, Middle East, and Africa. HTS delivery teams utilize standardized recruitment methodologies and project management expertise to support clients’ ongoing workforce requirements. HTS leverages its consultants and proprietary processes to identify, select, and engage talent for critical client roles. In addition, clients may receive outsourced professional contract staffing services and MSP solutions, offered on a standalone basis or as part of an integrated total talent solution. HTS-employed professionals are placed with client organizations, individually or as teams, for defined periods based on specific business requirements.

The Business Services segment provides talent and workforce solutions, including Talent Advisory, Executive Search, Talent Technology, and RPO. The Business Services segment primarily serves mid-to-large multinational organizations and operates in twenty-one countries across the Americas, Asia Pacific, and Europe, Middle East and Africa (“EMEA”).

The Business Services segment delivers customized talent solutions that support clients’ workforce planning and hiring needs. Its services include advisory and consulting services, executive and professional search, and outsourced recruiting programs.

The Business Services segment’s RPO offering utilizes a proprietary recruiting platform, *HudsonFlow*, incorporating agentic artificial intelligence capabilities designed to support candidate sourcing, screening, and interview coordination. These technology-enabled capabilities are combined with recruiting professionals and industry specialists who manage client engagements and candidate evaluation.

The Business Services segment delivers services through a range of engagement models, including fully outsourced recruitment programs, project-based recruiting engagements, contingent workforce solutions, and targeted search assignments for permanent hires. The Business Services segment also provides outsourced contract staffing and managed service provider solutions under which professionals employed by the Company are placed with client organizations for defined periods based on the clients’ business needs.

The Company’s Energy Services segment consists of ADT, a Wyoming and Texas based provider of drilling tools and services to the energy industry, a key sector of the economy. ADT is a full-service downhole drilling tool company that provides sales and rental tools in the Oil & Gas, Geothermal, Mining, and Waterwells sectors. ADT is strategically located near premier oilfields in the Rockies, a geothermal and mining hub, and in Midland, TX within the Permian Basin. ADT’s business model allows the majority of costs, such as freight, repairs, and damages, to be passed directly to customers.

The Investments segment holds and manages certain of our corporate-owned real estate, including a manufacturing facility in Maine that is leased to KBS and a manufacturing facility in Wisconsin that is leased to TT. The Investments segment holds and manages certain corporate-owned real estate assets and investments in a limited number of publicly traded and private companies. SOC acquired these interests in May 2023 as a result of the sale of Digirad Health. The Investments segment also holds an investment in Enservco Corporation consisting of an investment in Enservco Common Stock, an investment in Enservco Preferred Stock, and an investment in a call option, all of which were acquired in the third quarter of 2024 and which currently have a carrying value of zero. See Note 18, *Supplementary Balance Sheet Information* to the notes to our accompanying consolidated financial statements.

This MD&A discusses the results of the Company's business for the years ended December 31, 2025 and 2024.

Current Market Conditions

The target customers for our Building Solutions segment include professional home builders, general contractors, project owners, developers, and design firms. Despite a higher interest rate environment, we continue to experience meaningful demand for our products; however, certain projects have been delayed as customers secure and finalize financing. We have benefited from implementing both price increases and margin protection language in our contracts, and these changes have had a positive effect on our profitability. Although we have experienced slower business activity and lower revenues over the past four quarters, we believe this slowdown is temporary. Our sales pipelines continue to indicate strong potential demand for our services, but we can give no assurances as to our ability to compete for these opportunities, or the periods during which successfully negotiated projects will be completed.

In our Business Services segment, our clients' demands for RPO and contracting services largely depend on the market conditions and the strength of the labor markets in the countries where we operate. In 2025, the market conditions remained challenging due to persistent inflation, market uncertainty related to trade disruptions, and decreased demand for labor in certain markets. We anticipate that these challenging market conditions will continue into 2026.

In our Energy Services segment, demand for our products is closely tied to oil prices, as customer drilling activity and capital spending are influenced by prevailing market conditions. Higher and stable oil prices generally support increased drilling and tool utilization, while lower or volatile prices may reduce activity and negatively impact our revenues and operating results. During 2025, improved oil prices contributed to increased customer activity, and the segment delivered strong performance.

Economic conditions in many of the world's major markets remained uncertain throughout 2025. While inflationary pressures moderated in certain regions, elevated interest rates and tighter credit conditions continued to impact market activity. These conditions contributed to wage pressures, higher operating costs, staffing challenges, fluctuating consumer confidence, and constrained access to capital markets, each of which affected our business. In connection with this environment, some customers reduced demand for our services, and certain others temporarily deferred or permanently discontinued engagements. Ongoing macroeconomic uncertainty, including the potential for renewed inflationary pressures or changes in interest rate policy, could have material adverse effects on various aspects of our business in future periods.

Economic uncertainty has also continued to contribute to volatility in global currency markets. Fluctuations in foreign exchange rates relative to the U.S. dollar during reporting periods impact the translation of our foreign operations' results into U.S. dollars and may affect comparability of reported results.

We continue to explore all strategic alternatives to maximize value for the Company's stockholders, including without limitation, improving the market position and profitability of our services in the marketplace, and enhancing our valuation. We may pursue our goals through organic growth, strategic initiatives, or other alternatives. Additionally, we will continue to monitor capital markets for opportunities to repurchase shares, and consider other actions designed to enhance value to our stockholders, as well as review information regarding potential acquisitions or combinations, and provide information to third parties regarding potential dispositions of assets or business lines, from time to time.

Summary of Financial Performance Highlights For the Year Ended December 31, 2025

- Revenue was \$172.2 million for the year ended December 31, 2025, compared to \$140.1 million for the same period in 2024, an increase of \$32.1 million, or 22.9%. The increase in revenue was principally driven by the inclusion of revenues from the Star Operating Companies acquisition, which contributed 23 percentage points to the revenue growth.
- Gross profit was \$79.9 million for the year ended December 31, 2025, compared to \$70.2 million for the same period in 2024, an increase of \$9.7 million, or 13.9%. The increase in gross profit was driven by the acquisition of Star Operating Companies, which increased gross profit growth by 12 percentage points.

- SG&A and Non-Op other income (expense) was 82.8 million for the year ended December 31, 2025, compared to \$72.6 million for the same period in 2024. The acquisition of Star Operating Companies increased SG&A and Non-Op other income (expense) by \$7.3 million, which contributed 10 percentage points to the increase.
- EBITDA loss was \$2.0 million for the year ended December 31, 2025, compared to EBITDA loss of \$2.5 million for the same period in 2024.
- Net loss attributable to common shareholders was \$6.7 million for the year ended December 31, 2025, compared to net loss of \$4.8 million for the same period in 2024.

Use of EBITDA (Non-GAAP Financial 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 considered by management as an indicator of operating performance and the most comparable measure across the regions in which we operate. Management uses this measurement to evaluate capital needs and working capital requirements. Similar to constant currency, EBITDA should not be considered in isolation or as a substitute for operating income or net income prepared in accordance with U.S. GAAP or as a measure of the Company’s profitability. EBITDA is derived from net income (loss) adjusted for the provision for (benefit from) income taxes, interest expense (income), and depreciation and amortization.

The reconciliation of EBITDA to the most directly comparable U.S. GAAP financial measure is provided in the table below:

\$ in thousands	Year Ended December 31,	
	2025	2024
Net loss attributable to common shareholders	\$ (6,657)	\$ (4,770)
Dividends on Series A perpetual preferred stock	740	-
Net loss	(5,917)	(4,770)
Adjustments to net (loss) income		
Provision for income taxes	2,061	1,300
Interest income, net	(260)	(360)
Depreciation and amortization expense-within cost of revenues	866	-
Depreciation and amortization expense -within selling, general and administrative expense	1,212	1,361
Total adjustments from net (loss) income to EBITDA	3,879	2,301
EBITDA loss	\$ (2,038)	\$ (2,469)

Results of Operations

Building Solutions

Revenue - Building Solutions

\$ in millions	Year Ended December 31,			
	2025	2024	Change in amount	Change in %
Building Solutions				
Revenue	\$ 27.6	\$ -	\$ 27.6	N/A

For the year ended December 31, 2025, Building Solutions contributed \$27.6 million to the Company’s revenue. Performance during the year reflects a recovery from macroeconomic headwinds and severe Midwest flooding that delayed project starts in the prior year. Activity improved for much of the year, supported by backlog and steady project execution, though residential demand remained somewhat slower than expected. Toward year-end, activity softened due to weather-related site shutdowns, shipment timing delays, and certain projects shifting into Q1 2026, with December order activity also lighter due to seasonal factors.

Gross Profit - Building Solutions

\$ in millions	Year Ended December 31,			
	2025	2024	Change in amount	Change in %
Building Solutions				
Gross profit	\$ 6.3	\$ -	\$ 6.3	N/A

For the year ended December 31, 2025, Building Solutions contributed \$6.3 million to the Company's gross profit. Performance during the period reflects higher activity levels and improved project mix for much of the year, which supported better overhead absorption and steady margin performance. This was aided by consistent execution on project scope, scheduling, and cost management, though residential activity remained somewhat softer and moderated margin expansion. Toward year-end, lower revenue levels reduced gross profit dollars, and margins were modestly pressured by lower production volumes, higher temporary labor and freight costs, and inefficiencies associated with early-stage production on certain projects.

SG&A and Non-Op other income (expense) - Building Solutions

\$ in millions	Year Ended December 31,			
	2025	2024	Change in amount	Change in %
Building Solutions				
SG&A and Non-Op other income (expense)	\$ 4.1	\$ -	\$ 4.1	N/A
SG&A and Non-Op other income (expense) as a percentage of revenue	15%	N/A	N/A	N/A

For the year ended December 31, 2025, Building Solutions SG&A and Non-op other income (expense) was 4.1 million or 15% of revenue. Expenses were generally in line with normal operating levels, with lower third-party commission costs contributing to a modest reduction in overall SG&A for the period.

Operating (Loss) Income and EBITDA - Building Solutions

\$ in millions	Year Ended December 31,			
	2025	2024	Change in amount	Change in %
Building Solutions				
Operating income	\$ 2.0	\$ -	\$ 2.0	N/A
EBITDA	\$ 2.4	\$ -	\$ 2.4	N/A
EBITDA as a percentage of revenue	9%	N/A	N/A	N/A

For the year ended December 31, 2025, Building Solutions generated operating income of \$2.0 million and EBITDA of \$2.4 million, or 9% of revenue. Stronger volumes and an improved project mix, together with disciplined execution and controlled SG&A, supported the segment's operating performance during the period. Late in the year, EBITDA was affected by the same factors that pressured gross margins, including lower production volumes, higher temporary labor and freight costs, and early-stage production inefficiencies on certain projects.

Business Services**Revenue - Business Services**

\$ in millions	Year Ended December 31,			
	2025	2024	Change in amount	Change in %
Business Services				
Revenue	\$ 139.7	\$ 140.1	\$ (0.4)	-%

For the year ended December 31, 2025, revenue decreased \$0.4 million compared to 2024, driven by a decrease in contracting revenue of \$0.8 million, partially offset by an increase in RPO revenue of \$0.4 million, as discussed below.

In the Americas, revenue increased \$1.5 million, or 5%, for the year ended December 31, 2025, compared to the same period in 2024. The increase was primarily driven by RPO revenue, which increased \$1.1 million, or 5%, while contracting revenue increased \$0.4 million, or 12%, due to higher demand from existing clients as well as new client wins. In Asia Pacific, revenue increased \$0.1 million for the year-ended December 31, 2025, compared to the same period in 2024. RPO revenue increased \$2.4 million, or 9%, due to stronger existing client demand, while contracting revenue decreased \$2.3 million, or 4%, due to lower client demand. In EMEA, revenue decreased \$2.1 million, or 8%, for the year-ended December 31, 2025, compared to the same period in 2024, driven by a decline in RPO revenue of \$3.2 million, or 20%, partly offset by an increase in contracting revenue of \$1.1 million, or 12%.

Gross Profit - Business Services

\$ in millions	Year Ended December 31,			
	2025	2024	Change in amount	Change in %
Business Services				
Gross Profit	\$ 71.8	\$ 70.2	\$ 1.6	2%

For the year ended December 31, 2025, gross profit increased \$1.6 million or 2%, driven by an increase in contracting gross profit of \$1.0 million and an increase in RPO gross profit of \$0.7 million, compared to the same period in 2024.

In the Americas, gross profit increased by \$1.1 million, or 4%, for the year ended December 31, 2025, compared to the same period in 2024. The growth reflects a \$0.9 million, or 4%, increase in RPO gross profit, along with a \$0.2 million, or 24%, increase in contracting gross profit. In Asia Pacific, gross profit increased by \$3.4 million, or 12%, for the year ended December 31, 2025, compared to the same period in 2024, driven by an increase in RPO gross profit of \$2.5 million and an increase in contracting gross profit of \$0.9 million, driven by higher demand from existing clients. In EMEA, gross profit declined by \$2.9 million, or 19%, for the year ended December 31, 2025, compared to the same period in 2024, primarily driven by a decrease in RPO gross profit of \$2.8 million, or 18%. The decrease in gross profit was due to lower client demand.

SG&A and Non-Op other income (expense) - Business Services

\$ in millions	Year Ended December 31,			
	2025	2024	Change in amount	Change in %
Business Services				
SG&A and Non-Op other income (expense)	\$ 70.4	\$ 69.0	\$ 1.4	2%
SG&A and Non-Op other income (expense) as a percentage of revenue	50%	50%	-	N/A

For the year ended December 31, 2025, SG&A and Non-Op other income (expense) increased \$1.4 million, or 2%, compared to the same period in 2024, while SG&A and Non-Op other income (expense) as a percentage of revenue remained unchanged at 50%.

Operating Income and EBITDA - Business Services

\$ in millions	Year Ended December 31,			
	2025	2024	Change in amount	Change in %
Business Services				
Operating income	\$ 1.9	\$ 1.0	\$ 1.0	97%
EBITDA	\$ 1.4	\$ 1.1	\$ 0.3	24%
EBITDA as a percentage of revenue	1%	1%	N/A	N/A

For the year ended December 31, 2025, operating income was \$1.9 million, compared to operating income of \$1.0 million in 2024, and EBITDA was \$1.4 million, or 1% of revenue, compared to EBITDA of \$1.1 million, or 1% of revenue, in 2024.

Energy Services

Revenue - Energy Services

\$ in millions	Year Ended December 31,			
	2025	2024	Change in amount	Change in %
Energy Services				
Revenue	\$ 4.9	\$ -	\$ 4.9	N/A

For the year ended December 31, 2025, Energy Services contributed \$4.9 million in revenue, reflecting a gradual recovery in drilling activity across key markets. While market conditions in the sector in the first half of the year was subdued due to lower rig counts, the segment continued to capture market share through competitive pricing and strong customer relationships. Activity accelerated in the third quarter, supported by growth in non-oil-and-gas demand, and focused sales efforts in high-growth areas such as the Permian Basin.

Gross Profit - Energy Services

\$ in millions	Year Ended December 31,			
	2025	2024	Change in amount	Change in %
Energy Services				
Gross Profit	\$ 1.9	\$ -	\$ 1.9	N/A

For the period ended December 2025, the contribution of Energy Services to the Company's Gross Profit was \$1.9 million. Margins were maintained despite trough pricing driven by lower U.S. rig counts in 2025. The segment continued to gain market share through competitive pricing and strong customer relationships, helping to support gross profit during a period of softer overall pricing in the market.

SG&A and Non-Op other income (expense) - Energy Services

\$ in millions	Year Ended December 31,			
	2025	2024	Change in amount	Change in %
Energy Services				
SG&A and Non-Op other income (expense)	\$ 1.4	\$ -	\$ 1.4	N/A
SG&A and Non-Op other income (expense) as a percentage of revenue	29%	N/A	N/A	N/A

For the year ended December 31, 2025, Energy Services' SG&A and non-operating other income (expense) totaled \$1.4 million or 29% of revenue. Expenses were generally in line with normal operating levels, with a slight increase in sales commissions reflecting efforts to expand market share during the period.

Operating Income and EBITDA - Energy Services

	Year Ended December 31,				
\$ in millions	2025	2024	Change in amount		Change in %
Energy Services					
Operating income	\$ 0.4	\$ -	\$ 0.4		N/A
EBITDA	\$ 1.0	\$ -	\$ 1.0		N/A
EBITDA as a percentage of revenue	21%	N/A	N/A		N/A

For the year ended December 31, 2025, Energy Services reported an operating income of \$0.4 million and EBITDA of \$1.0 million or 21% of revenue. Despite tough pricing in a softer rig environment, disciplined execution, competitive pricing, and targeted sales efforts supporting market-share gains helped the segment achieve positive EBITDA for the period.

Investments**Revenue-Investments**

\$ in millions	Year Ended December 31,			
	2025	2024	Change in amount	Change in %
Investments				
Revenue	\$ 0.2	\$ -	\$ 0.2	N/A

For the year ended December 31, 2025, Investments contributed \$0.2 million to the Company's revenue, reflecting rental income from owned properties.

Gross Profit - Investments

\$ in millions	Year Ended December 31,				Change in %
	2025	2024	Change in amount		
Investments					
Gross profit	\$ 0.1	\$ -	\$ 0.1		N/A

For the year ended December 31, 2025, Investments contributed \$0.1 million to the Company's gross profit, reflecting rental income after accounting for property depreciation.

SG&A and Non-Op other income (expense) - Investments

\$ in millions	Year Ended December 31,			
	2025	2024	Change in amount	Change in %
Investments				
SG&A and Non-Op other income (expense)	\$ 0.2	\$ -	\$ 0.2	N/A
SG&A and Non-Op other income (expense) as a percentage of revenue	108%	N/A	N/A	N/A

For the year ended December 31, 2025, Investments SG&A and Non-Op other income (expense) was \$0.2 million.

Operating (Loss) Income and EBITDA - Investments

\$ in millions	Year Ended December 31,			
	2025	2024	Change in amount	Change in %
Investments				
Operating loss	\$ (0.01)	\$ -	\$ (0.01)	N/A
EBITDA (loss)	\$ (0.01)	\$ -	\$ (0.01)	N/A
EBITDA (loss) as a percentage of revenue	(8) %	N/A	N/A	N/A

For the year ended December 31, 2025, Investments operating loss was \$0.01 million, and EBITDA loss was \$0.01 million, or 8% of revenue.

Additional Results of Operations

Corporate expenses

For the year ended December 31, 2025, corporate expenses were \$6.9 million compared to \$3.6 million in 2024, an increase of \$3.3 million, or 92%. The increase was primarily due to professional fees associated with the acquisition of Star Operating Companies.

Total Depreciation and Amortization Expense

Depreciation and amortization expense, including amounts in Cost of Revenues, was \$2.1 million and \$1.4 million for the years ended December 31, 2025 and 2024, respectively.

Interest Income, Net

Net interest income was \$0.3 million and \$0.4 million for the years ended December 31, 2025 and 2024, respectively.

Other Income (Expense), Net

Net other expense was \$0.4 million for the year ended December 31, 2025, as opposed to net other expense of \$0.0 million for the same period in 2024.

Provision for (benefit from) Income Taxes

The provision for income taxes for the year ended December 31, 2025 was \$2.1 million, on \$3.9 million of pre-tax loss, compared to a provision from income taxes of \$1.3 million on \$3.5 million of pre-tax loss for 2024. The effective tax rate (“ETR”) for the year ended December 31, 2025 was negative 53%, compared to negative 37% for 2024. For the year ended December 31, 2025, the effective tax rates differed from the U.S. federal statutory rate of 21% primarily due to pre-tax losses for which no tax benefit can be recognized, changes in valuation allowances in the U.S., China, and certain foreign jurisdictions that reduce or eliminate the ETR on current year profits or losses, foreign tax rate differences, and non-deductible expenses. For the year ended December 31, 2024, the effective tax rates differed from the U.S. federal statutory rate of 21% primarily due to pre-tax losses for which no tax benefit can be recognized, changes in valuation allowances in the U.S., China, and certain foreign jurisdictions that reduce or eliminate the ETR on current year profits or losses, foreign tax rate differences, and non-deductible expenses. The current year ETR differs significantly from the prior year ETR primarily due to the interaction of similar rate reconciliation items, including change in valuation allowance, combined with a shift in the geographic mix of earnings toward higher-tax jurisdictions, including Australia.

Net (Loss) Income Attributable to Common Shareholders

Net loss attributable to common shareholders was \$6.7 million for the year ended December 31, 2025, compared to net loss of \$4.8 million for 2024, an increase in net loss of \$1.9 million. Basic and diluted loss per share was \$2.08 for the year ended December 31, 2025, compared to basic and diluted loss per share of \$1.59 in 2024.

Liquidity and Capital Resources

As of December 31, 2025, cash and cash equivalents and restricted cash totaled \$13.4 million, as compared to \$17.7 million as of December 31, 2024. The following table summarizes the cash flow activities for the years ended December 31, 2025 and 2024:

\$ in millions	For The Year Ended December 31,	
	2025	2024
Net cash used in operating activities	\$ (7.3)	\$ (2.8)
Net cash provided by investing activities	4.6	1.1
Net cash used in financing activities	(2.0)	(3.1)
Effect of exchange rates on cash, cash equivalents, and restricted cash	0.4	(0.7)
Net decrease in cash, cash equivalents, and restricted cash	<u>\$ (4.3)</u>	<u>\$ (5.5)</u>

Cash Flows from Operating Activities

For the year ended December 31, 2025, net cash used in operating activities was \$7.3 million, as compared to \$2.8 million of net cash used in operating activities for the same period in 2024, resulting in an increase in net cash used in operating activities of \$4.5 million. The decline in cash was principally from the Company’s lower net income in 2025, partially offset by more favorable working capital comparisons to the prior year.

Cash Flows from Investing Activities

For the year ended December 31, 2025, net cash provided by investing activities was \$4.6 million, compared to \$1.1 million of net cash provided by investing activities in 2024. Net cash provided by investing activities in 2025 reflects \$7.0 million in cash received in connection with the SOC acquisition, while net cash used in investing activities in 2024 primarily reflects cash received from benefit payouts.

Cash Flows from Financing Activities

For the year ended December 31, 2025, net cash used in financing activities was \$2.0 million, compared to \$3.1 million in 2024. The decrease in net cash used was primarily attributed to borrowing under credit facilities. Repurchases of shares of common stock were \$2.6 million in 2025, including cash paid for tax withholdings, compared to repurchases of \$2.8 million in the previous year.

Credit Facilities

See Note 9, Debt, in the accompanying notes to the consolidated financial statements for further details.

Liquidity and Capital Resources Outlook

As of December 31, 2025, the Company had cash and cash equivalents on hand of \$10.3 million, as well as our lines of credit and other debt instruments. Other than as described in Note 9 - Debt in the consolidated financial statements included in Part II, Item 8 of this Form 10-K, the Company has no financial guarantees, outstanding debt or other lease agreements or arrangements that could trigger a requirement for an early payment or that could change the value of our assets. The Company believes that it has sufficient liquidity to satisfy its needs through at least the next 12 months, based on the Company's financial position as of December 31, 2025. The Company's near-term cash requirements during 2025 are primarily related to the funding of the Company's operations.

As of December 31, 2025, \$5.2 million of the Company's cash and cash equivalents noted above were held in the U.S. and the remainder were held outside the U.S., primarily in Singapore (\$1.3 million) Philippines (\$0.9 million), the U.K. (\$0.9 million), Hong Kong (\$0.8 million), and India (\$0.3 million). The majority of the Company's offshore cash is available to it as a source of funds, net of any tax obligations or assessments.

Off-Balance Sheet Arrangements

As of December 31, 2025, the Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Contingencies

From time to time in the ordinary course of business, the Company is subject to compliance audits by U.S. federal, state, local, and foreign government regulatory, tax, and other authorities relating to a variety of regulations, including wage and hour laws, unemployment taxes, workers' compensation, immigration, and income, value-added, and sales taxes. The Company is also subject to, from time to time in the ordinary course of business, various claims, lawsuits, and other complaints from, for example, clients, candidates, suppliers, landlords for both leased and subleased properties, former and current employees, and regulators or tax authorities. Periodic events and management actions such as business reorganization initiatives can change the number and types of audits, claims, lawsuits, contract disputes, or complaints asserted against the Company. Such events can also change the likelihood of assertion and the behavior of third parties to reach resolution regarding such matters.

The economic conditions in the recent past have given rise to many news reports and bulletins from clients, tax authorities and other parties about changes in their procedures for audits, payment, plans to challenge existing contracts and other such matters aimed at being more aggressive in the resolution of such matters in their own favor. The Company believes that it has appropriate procedures in place for identifying and communicating any matters of this type, whether asserted or likely to be asserted, and it evaluates its liabilities in light of the prevailing circumstances. Changes in the behavior of third parties could cause the Company to change its view of the likelihood of a claim and what might constitute a trend. Employment laws vary in the markets in which we operate, and in some cases, employees and former employees have extended periods during which they may bring claims against the Company.

For matters that reach the threshold of probable and estimable, the Company establishes reserves for legal, regulatory, and other contingent liabilities. The Company had \$0.2 million and \$0.0 million of legal reserves as of December 31, 2025 and 2024, respectively. Although the outcome of these matters cannot be determined, the Company believes that none of the currently pending matters, individually or in the aggregate, will have a material adverse effect on the Company's financial condition, results of operations, or liquidity.

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with U.S. GAAP. The preparation of financial statements in accordance with U.S. GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. U.S. GAAP provides the framework from which to make these estimates, assumptions and disclosures. We choose accounting policies within U.S. GAAP that our management believes are appropriate to accurately and fairly report our operating results and financial position in a consistent manner. Our management regularly assesses these policies in light of current and forecasted economic conditions. Our accounting policies are stated in Note 2 to the Consolidated Financial Statements in Item 8. We believe the following accounting policies are critical to understanding our results of operations and affect the more significant judgments and estimates used in the preparation of our Consolidated Financial Statements that are inherently uncertain.

Revenue Recognition

Business Services

The Company recognizes revenue for our RPO business over time in an amount that reflects the consideration we expect to be entitled to and have an enforceable right to payment in exchange for our services. The client simultaneously receives and consumes the benefits of the services as they are provided. The transaction prices contain both fixed fee and variable usage-based consideration. Variable usage-based consideration is constrained by candidates accepting offers of permanent employment. We recognize revenue on the fixed fee as the performance obligations are satisfied and usage-based fees as the constraint is lifted. We do not incur incremental costs to obtain our RPO contracts. The costs to fulfill these contracts are expensed as incurred.

The Business Services segment recognizes revenue for our contracting services over time as services are performed in an amount that reflects the consideration we expect to be entitled to and have an enforceable right to payment in exchange for our services, which is generally calculated as hours worked multiplied by the agreed-upon hourly bill rate. The client simultaneously receives and consumes the benefits of the services as they are provided. We do not incur incremental costs to obtain our contracting contracts. The costs incurred to fulfill these contracts are expensed as incurred.

Building Solutions and Energy Services

We recognize revenue when a customer obtains control of promised goods or services. We record the amount of revenue that reflects the consideration that we expect 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. From time-to-time we enter into contracts within our building solutions sector that produce assets with no alternative use and contain 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. We had no contracts in place as of December 31, 2025 that require recognition over time.

As a practical expedient, we do not disclose the value of unsatisfied performance obligations for (i) contracts with an expected original duration of one year or less and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed.

Income Taxes

We account for income taxes using the asset and liability method in accordance with Accounting Standards Codification (“ASC”) 740, “*Income Taxes*.” This standard establishes financial accounting and reporting standards for the effects of income taxes that result from an enterprise’s activities. It requires an asset and liability approach for financial accounting and reporting of income taxes.

The calculation of net deferred tax assets assumes sufficient future earnings for the realization of such assets as well as the continued application of currently anticipated tax rates. Included in net deferred tax assets is a valuation allowance for deferred tax assets where management believes it is more likely than not that the deferred tax assets will not be realized in the relevant jurisdiction. If we determine that a deferred tax asset will not be realizable, an adjustment to the deferred tax asset will result in a reduction of earnings at that time. Our assessment includes an analysis of whether deferred tax assets will be realized in the ordinary course of operations based on the available positive and negative evidence, including the scheduling of deferred tax liabilities and forecasted income from operations. The underlying assumptions we use in forecasting future taxable income require significant judgment. In the event that actual income from operations differs from forecasted amounts, or if we change our estimates of forecasted income from operations, we could record additional charges or reduce allowances in order to adjust the carrying value of deferred tax assets to their realizable amount. Such adjustments could be material to our Consolidated Financial Statements. See Note 8 to the Consolidated Financial Statements in Item 8 for further information regarding deferred tax assets and valuation allowances.

ASC 740-10-55-3, “*Recognition and Measurement of Tax Positions - a Two Step Process*,” provides implementation guidance related to the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements and prescribes a two-step evaluation process for a tax position taken or expected to be taken in a tax return. The first step is recognition and the second is measurement. ASC 740 also provides guidance on derecognition, measurement, classification, disclosures, transition and accounting for interim periods. In addition, ASC 740-10-25-9 provides guidance on how to determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. As of December 31, 2025, the Company’s gross liability for income taxes associated with uncertain tax positions was \$0.1 million.

The Company’s unrecognized tax benefits, if recognized in the future, would affect the Company’s annual effective income tax rate. See Note 8 to the Consolidated Financial Statements in Item 8 for further information regarding unrecognized tax benefits. We elected to continue our historical practice of classifying applicable interest and penalties as a component of the provision for income taxes.

We provide tax reserves for federal, state, local and international exposures relating to periods subject to audit. The development of reserves for these exposures requires judgments about tax issues, potential outcomes and timing, and is a subjective critical estimate. We assess our tax positions and record tax benefits for all years subject to examination based upon management’s evaluation of the facts, circumstances and information available at the reporting dates. For those tax positions where it is more likely than not that a tax benefit will be sustained, we have recorded the largest amount of tax benefit with greater than 50% likelihood of being realized upon settlement with a tax authority that has full knowledge of all relevant information. For those tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the Consolidated Financial Statements. Where applicable, associated interest and penalties have also been recognized. Although the outcome relating to these exposures are uncertain, we believe that our reserves reflect the probable outcome of known tax contingencies. In certain circumstances, the ultimate outcome of exposures and risks involves significant uncertainties which render them inestimable. If actual outcomes differ materially from these estimates, including those that cannot be quantified, they could have a material impact on our results of operations.

The Company has provided for tax on all unremitted earnings of our foreign subsidiaries taking into consideration all expected future events based on presently existing tax laws and rates.

The Company has elected to recognize the tax on Global Intangible Low Taxed Income (“GILTI”) as a period expense in the year the tax is incurred.

Business Combinations and Asset Acquisitions

Business Combinations are accounted for under the acquisition method in accordance with ASC 805, “*Business Combinations*.” The acquisition method requires identifiable assets acquired and liabilities assumed and any non-controlling interest in the business acquired to be recognized and measured at fair value on the acquisition date, which is the date that the acquirer obtains control of the acquired business. The amount by which the fair value of consideration transferred as the purchase price exceeds the net fair value of assets acquired and liabilities assumed is recorded as goodwill. Acquisitions that do not meet the definition of a business under the ASC are accounted for as asset acquisitions. Asset acquisitions are accounted for by allocating the cost of the acquisition to the individual assets acquired and liabilities assumed on a relative fair value basis. Goodwill is not recognized in an asset acquisition with any consideration in excess of net assets acquired allocated to acquired assets on a relative fair value basis. Transaction costs are expensed in a business combination and are considered a component of the cost of the acquisition in an asset acquisition.

Recent Accounting Pronouncements

See Note 3 to our Consolidated Financial Statements in Item 8 regarding the impact or potential impact of recent accounting pronouncements upon our financial position and results of operations.

Forward-Looking Statements

This Form 10-K contains statements that the Company believes to be “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this Form 10-K, including statements regarding the Company’s future financial condition, results of operations, business operations and business prospects, are forward-looking statements. Words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “predict,” “believe,” and similar words, expressions, and variations of these words and expressions are intended to identify forward-looking statements. All forward-looking statements are subject to important factors, risks, uncertainties, and assumptions, including industry and economic conditions that could cause actual results to differ materially from those described in the forward-looking statements. Such factors, risks, uncertainties, and assumptions include, but are not limited to, (1) global economic fluctuations, (2) changes in the cost and availability of commodities, materials, and equipment, (3) risks related to providing uninterrupted service to clients, (4) the ability of clients to terminate their relationship with the Company at any time, (5) risks associated with real estate ownership, (6) the Company’s ability to successfully achieve its strategic initiatives, (7) risks related to fluctuations in the Company’s operating results from quarter to quarter, (8) risks related to potential acquisitions or dispositions of businesses by the Company, (9) our profitability and growth being tied to the success of our operating businesses, (10) risks associated with our financial investments in other businesses, (11) our ability to improve existing products and services and develop, introduce, and market new products and services successfully, (12) the loss of or material reduction in our business with any of the Company’s largest customers, (13) competition in the Company’s markets, (14) risks related to potential decreases in demand for products, (15) our ability to maintain costs at an acceptable level, (16) the negative cash flows and operating losses that may recur in the future, (17) risks related to international operations, including foreign currency fluctuations, political events, trade wars, natural disasters or health crises, including the Russia-Ukraine war, and potential conflict in the Middle East, (18) risks relating to how future credit facilities may affect or restrict our operating flexibility, (19) our ability to generate or borrow sufficient cash to make payments on our indebtedness, (20) risks related to indebtedness, (21) risks associated with the Company’s investment strategy, (22) the Company’s dependence on key management personnel, (23) the Company’s ability to attract and retain highly skilled professionals, management, and advisors, (24) the Company’s ability to collect accounts receivable, (25) the Company’s exposure to legal proceedings, investigations and disputes, and limits on related insurance coverage, (26) the Company’s ability to utilize net operating loss carryforwards, (27) the potential for goodwill impairment, (28) volatility of the Company’s stock price, (29) risks related to our historically low trading volume, (30) risks related to securities or industry analysts, (31) the Company’s ability to declare dividends, (32) risks associated with failure to pay dividends on our Series A Preferred Stock, (33) our history of annual net losses, (34) risks related to our international operations, (35) risks related to compliance with federal and state laws, regulations, and other rules, (36) our exposure to employment-related claims, legal liability, and costs from clients, employees, and regulatory authorities, (37) risks related to the imposition of licensing or tax requirements or new regulations, (38) the effect of Anti-takeover provisions in our organizational documents, (39) the effect of the protective amendment contained in our Restated Certificate of Incorporation, (40) the impact of our stockholder rights plan, or “poison pill,” on stockholder decision making, (41) risks related to our scaled disclosure requirements as a smaller reporting company, (42) risks related to evolving ESG and DEI rules and regulations, (43) the Company’s heavy reliance on information systems and the impact of potentially losing or failing to develop technology, (44) the adverse impacts of cybersecurity threats and attacks, and (45) risks related to the use of new and evolving technologies. The foregoing list should not be construed to be exhaustive. Actual results could differ materially from the forward-looking statements contained in this Form 10-K. In view of these uncertainties, you should not place undue reliance on any forward-looking statements, which are based on our current expectations. These forward-looking statements speak only as of the date of this Form 10-K. The Company assumes no obligation, and expressly disclaims any obligation, to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Star Equity Holdings, Inc.
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All schedules for which provision is made in the applicable rules and regulations of the SEC have been omitted as the schedules are not required under the related instructions, are not applicable, or the information required thereby is set forth in the consolidated financial statements or notes thereto.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Star Equity Holdings, Inc.

Opinion on the Financial Statements

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

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's 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 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 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 audit 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 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 financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the 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 financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the 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.

Star Operating Companies ("SOC") Acquisition - Refer to Notes 1 and 5 to the financial statements

On August 22, 2025, the Company completed its acquisition of SOC pursuant to the Agreement and Plan of Merger, dated as of May 21, 2025 (the "Merger Agreement"). This resulted in a business combination pursuant to ASC 805, Business Combinations. Management engaged an independent third-party valuation specialist to assist with the fair value allocation of the purchase price. In accordance with ASC 805, Business Combinations, The Company accounted for this transaction as a business combination and recorded the acquired assets of SOC at their estimated fair value. The valuation of assets acquired and liabilities assumed has not yet been finalized as of December 31, 2025.

We identified the purchase price allocation related to the SOC Acquisition as a critical audit matter because of the estimates and assumptions used to determine the fair value of identifiable assets acquired and liabilities assumed. This required an increased extent of audit effort and specialized skill, including the need to involve our fair value specialists, when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions.

How the Critical Audit Matter Was Addressed in the Audit

To address this matter, we performed various procedures, including: (i) understanding management's process for accounting for the transaction, (ii) testing management's process for determining opening balance sheet amounts, (iii) testing the processes used by management and the third-party experts to develop valuation models, and (iv) evaluating the significant assumptions used in these models. We considered whether these assumptions were consistent with evidence obtained in other areas of the audit and assessed their sensitivity to change.

We have served as the Company's auditor since 2023.

/s/ Wolf & Company, P.C.
Boston, Massachusetts
March 20, 2026

STAR EQUITY HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Year Ended December 31,	
	2025	2024
Revenues:		
Building Solutions	\$ 27,578	\$ -
Business Services	139,652	140,056
Energy Services	4,929	-
Total revenues	172,159	140,056
Cost of revenues:		
Building Solutions	21,303	-
Business Services	67,879	69,904
Energy Services	3,001	-
Investments	107	-
Total cost of revenues	92,290	69,904
Gross profit	79,869	70,152
Operating expenses:		
Salaries and related	63,545	58,309
Office and general	14,843	10,703
Marketing and promotion	3,957	3,588
Depreciation and amortization	1,212	1,361
Total operating expenses	83,557	73,961
Operating loss	(3,688)	(3,809)
Non-operating income (expense):		
Interest income, net	260	360
Other income (expense), net	(428)	(21)
Loss before income taxes	(3,856)	(3,470)
Provision for income taxes	2,061	1,300
Net loss	(5,917)	(4,770)
Dividends on Series A perpetual preferred stock	(740)	-
Net loss attributable to common shareholders	\$ (6,657)	\$ (4,770)
Loss per share:		
Basic	\$ (1.85)	\$ (1.59)
Diluted	\$ (1.85)	\$ (1.59)
Loss per share, attributable to common shareholders		
Basic	\$ (2.08)	\$ (1.59)
Diluted	\$ (2.08)	\$ (1.59)
Weighted-average shares outstanding:		
Basic	3,198	3,000
Diluted	3,198	3,000
Dividends declared per share of Series A perpetual preferred stock	\$ 0.275	\$ -

See accompanying notes to Consolidated Financial Statements.

STAR EQUITY HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)

	Year Ended December 31,	
	2025	2024
Comprehensive loss:		
Net loss	\$ (5,917)	\$ (4,770)
Other comprehensive income (loss):		
Foreign currency translation adjustment, net of income taxes	1,353	(1,427)
Total other comprehensive income (loss), net of income taxes	1,353	(1,427)
Comprehensive loss	<u>\$ (4,564)</u>	<u>\$ (6,197)</u>

See accompanying notes to Consolidated Financial Statements.

STAR EQUITY HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	As of December 31,	
	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,269	\$ 17,011
Restricted cash, current	1,819	476
Investments in equity securities	3,767	-
Accounts receivable, less allowance for expected credit losses of \$275 and \$391, respectively	35,220	20,093
Inventories, net	6,988	-
Note receivable, current portion	256	-
Prepaid and other	4,168	2,560
Total current assets	62,487	40,140
Property and equipment, net of accumulated depreciation of \$6,367 and \$1,668, respectively	18,610	242
Operating lease right-of-use assets	11,675	1,024
Goodwill	5,944	5,703
Intangible assets, net of accumulated amortization of \$4,795 and \$3,897, respectively	1,688	2,491
Long term investments	953	-
Notes receivable, net of current portion	8,629	-
Deferred tax assets	1,911	2,648
Restricted cash, non-current	1,322	180
Other assets	12	155
Total assets	\$ 113,231	\$ 52,583
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 4,769	\$ 1,789
Accrued salaries, commissions, and benefits	7,526	4,306
Accrued expenses and other current liabilities	6,907	4,375
Short-term debt	8,473	-
Deferred revenue	1,496	129
Operating and finance lease obligations, current	655	623
Total current liabilities	29,826	11,222
Income tax payable	99	93
Operating and finance lease obligations	11,235	441
Note payable - long term	6,056	-
Other liabilities	308	399
Total liabilities	47,524	12,155
Commitments and contingencies		
Stockholders' equity:		
Series A Preferred stock, \$0.001 par value, 10,000 shares authorized; 2,691 and 0 issued; 2,370 and 0 shares outstanding, respectively	3	-
Common stock, \$0.001 par value, 20,000 shares authorized; 5,366 and 4,033 shares issued; 3,755 and 2,750 shares outstanding, respectively	5	4
Additional paid-in capital	530,136	494,209
Accumulated deficit	(435,934)	(430,017)
Accumulated other comprehensive loss, net of applicable tax	(1,364)	(2,717)
Treasury stock, 1,611 and 1,283 common shares; 321 and 0 preferred shares, respectively, at cost	(27,139)	(21,051)
Total stockholders' equity	65,707	40,428
Total liabilities and stockholders' equity	\$ 113,231	\$ 52,583

See accompanying notes to Consolidated Financial Statements.

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

	Year Ended December 31,	
	2025	2024
Cash flows from operating activities:		
Net loss	\$ (5,917)	\$ (4,770)
Adjustments to reconcile net loss to net cash used by operating activities:		
Total depreciation and amortization	2,078	1,361
Provision for expected credit losses	103	24
Provision for deferred income taxes	942	532
Stock-based compensation	1,497	1,280
Non-cash interest income	(305)	-
Unrealized net losses on equity securities and lumber derivatives	176	-
Gross profit from sale of lost-in-hole equipment	(396)	-
Changes in operating assets and liabilities, net of effect of dispositions:		
Accounts receivable	(2,588)	(1,275)
Inventories	2,113	-
Prepaid and other assets	(175)	(531)
Deferred revenue	(2,248)	36
Accounts payable, accrued expenses, and other liabilities	(2,535)	556
Net cash (used in) provided by operating activities	(7,255)	(2,787)
Cash flows from investing activities:		
Capital expenditures	(1,703)	(18)
Proceeds from corporate benefit policy	-	1,076
Cash acquired in connection with the acquisition of Star Operating Companies	6,967	-
Net cash paid in acquisition of Alpha Consulting Group	(132)	-
Proceeds from sale of lost-in-hole equipment	482	-
Proceeds from sale of property and equipment	119	-
Purchases of equity securities	(1,540)	-
Proceeds from sales of equity securities	228	-
Repayment of note receivable	149	-
Net cash (used in) provided by investing activities	4,570	1,058
Cash flows from financing activities:		
Proceeds from borrowings	11,426	-
Repayment of debt	(10,940)	-
Net borrowings under invoice finance credit facility	1,385	-
Preferred stock dividends paid	(740)	-
Purchase of treasury stock (including payment of tax withholdings)	(2,638)	(2,775)
Cash paid for net settlement of employee restricted stock units	(451)	(327)
Net cash used in financing activities	(1,958)	(3,102)
Effect of exchange rates on cash, cash equivalents, and restricted cash	386	(672)
Net decrease in cash, cash equivalents, and restricted cash	(4,257)	(5,503)
Cash, cash equivalents, and restricted cash, beginning of the period	17,667	23,170
Cash, cash equivalents, and restricted cash, end of the period	\$ 13,410	\$ 17,667
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	\$ 383	\$ -
Cash received during the period for interest	\$ 299	\$ 360
Net cash payments during the period for income taxes	\$ 1,895	\$ 455
Cash paid for amounts included in operating lease liabilities	\$ 1,144	\$ 809
Supplemental non-cash disclosures:		
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 3,112	\$ 416

See accompanying notes to Consolidated Financial Statements.

STAR EQUITY HOLDINGS, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(in thousands)

	Preferred stock		Common stock		Additional	Accumulated	Accumulated	Treasury stock		
	Shares	Value	Shares	Value	paid-in	deficit	other	Shares	Value	Total
					capital		comprehensive			
							income (loss)			
Balance at December 31, 2023	-	\$ -	3,896	\$ 4	\$ 493,036	\$ (425,247)	\$ (1,290)	(1,089)	\$ (17,949)	\$ 48,554
Net loss	-	-	-	-	-	(4,770)	-	-	-	(4,770)
Other comprehensive loss, translation adjustments	-	-	-	-	-	-	(1,427)	-	-	(1,427)
Purchase of treasury stock	-	-	-	-	-	-	-	(173)	(2,775)	(2,775)
Purchase of net settled restricted stock	-	-	-	-	-	-	-	(21)	(327)	(327)
Stock-based compensation and vesting of restricted stock units	-	-	137	-	1,173	-	-	-	-	1,173
Balance at December 31, 2024	-	\$ -	4,033	\$ 4	\$ 494,209	\$ (430,017)	\$ (2,717)	(1,283)	\$ (21,051)	\$ 40,428
Net loss	-	-	-	-	-	(5,917)	-	-	-	(5,917)
Dividends to holders of preferred stock	-	-	-	-	(740)	-	-	-	-	(740)
Preferred stock issued in connection with acquisition of Star Operating Companies	2,691	3	-	-	25,477	-	-	-	-	25,480
Common stock issued in connection with acquisition of Star Operating Companies	-	-	744	1	6,694	-	-	-	-	6,695
Issuance of common shares in exchange for preferred treasury shares	-	-	288	-	2,999	-	-	-	(2,999)	-
Other comprehensive income (loss), translation adjustments	-	-	-	-	-	-	1,353	-	-	1,353
Purchase of treasury stock	-	-	-	-	-	-	-	(281)	(2,638)	(2,638)
Purchase of net settled restricted stock	-	-	-	-	-	-	-	(47)	(451)	(451)
Stock-based compensation and vesting of restricted stock units	-	-	301	-	1,497	-	-	-	-	1,497
Balance at December 31, 2025	<u>2,691</u>	<u>\$ 3</u>	<u>5,366</u>	<u>\$ 5</u>	<u>\$ 530,136</u>	<u>\$ (435,934)</u>	<u>\$ (1,364)</u>	<u>(1,611)</u>	<u>\$ (27,139)</u>	<u>\$ 65,707</u>

See accompanying notes to Consolidated Financial Statements.

STAR EQUITY HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share amounts)

NOTE 1 - DESCRIPTION OF BUSINESS

Star Equity Holdings, Inc. is a diversified multi-industry holding company operating through four reportable segments: Building Solutions, Business Services, Energy Services, and Investments. Our common stock and 10% Series A Cumulative Perpetual Preferred Stock are listed on the Nasdaq Global Market under the symbols “STRR” and “STRRP,” respectively.

The Building Solutions segment operates in the construction industry. The Business Services segment, which consists of Hudson Talent Solutions, LLC (“HTS”), delivers customized recruitment and contracting solutions to mid-to-large multinational companies, including Recruitment Process Outsourcing (“RPO”), project-based RPO, contingent workforce solutions, recruitment consulting, outsourced professional contract staffing, and managed service provider (“MSP”) services. The Energy Services segment consists of Alliance Drilling Tools, Inc. (“ADT”), which manufactures and supplies specialized drilling tools and downhole equipment used in directional drilling and other oil and gas well construction applications. The Investments segment holds and manages certain corporate-owned real estate assets and investments in a limited number of publicly traded and private companies.

MERGER

On August 22, 2025, Star completed its previously announced acquisition of Star Operating Companies, Inc. (“SOC” or “Star Operating Companies”, formerly known as Star Equity Holdings, Inc.) pursuant to the Agreement and Plan of Merger, dated as of May 21, 2025 (the “Merger Agreement”), by and among Star, SOC and HSON Merger Sub, Inc., a wholly owned subsidiary of Star (“Merger Sub”). Upon the terms and subject to the conditions of the Merger Agreement, on August 22, 2025, at the effective time (the “Effective Time”) of the closing of the transaction pursuant to the Merger Agreement (the “Merger”), Merger Sub merged with and into SOC, with SOC continuing as the surviving corporation of the Merger under the name “Star Operating Companies, Inc.” as a wholly owned subsidiary of Star. Capitalized terms used herein but not defined have the meanings set forth in the Merger Agreement.

Pursuant to the terms of the Merger Agreement, at the Effective Time, (i) each share of common stock of SOC issued and outstanding immediately prior to the Effective Time (other than certain shares as set forth in the Merger Agreement) were automatically converted into the right to receive 0.23 shares of Star common stock (the “exchange ratio”) and (ii) each share of preferred stock of SOC issued and outstanding immediately prior to the Effective Time (other than certain shares set forth in the Merger Agreement) were automatically converted into the right to receive one (1) share of Star 10% Series A Cumulative Perpetual preferred stock (“Preferred Stock”). As a result of the Merger, former SOC common stockholders received approximately 744,291 shares of Star common stock for their SOC common shares and former SOC preferred stock stockholders received approximately 2,690,637 shares of Star Preferred Stock. No fractional shares of Star common stock were issued in the Merger, and SOC stockholders became entitled to receive cash in lieu of fractional shares in accordance with the Merger Agreement.

In addition, pursuant to the terms of the Merger Agreement, at the Effective Time, each award of SOC restricted stock units (“RSUs”) outstanding immediately prior to the Effective Time was converted into Star RSUs issued under the Hudson Global, Inc. 2009 Incentive Stock and Awards Plan, as amended (the “Plan”), in accordance with the Merger Agreement.

The accompanying consolidated financial statements include the financial results of SOC beginning on August 22, 2025 and reflect the post-merger results of the Building Solutions, Energy Services, and Investments segments for the period from August 22, 2025 through December 31, 2025. The acquisition was accounted for as a business combination in accordance with ASC 805, Business Combinations. All significant intercompany accounts and transactions have been eliminated in consolidation.

AMENDMENT TO CERTIFICATE OF INCORPORATION

On September 4, 2025, Star Equity filed a certificate of amendment (the “Amendment”) to the Company’s Amended and Restated Certificate of Incorporation, as Amended (the “Charter”), to change the name of the Company from Hudson Global, Inc. to Star Equity Holdings, Inc. (the “Name Change”). The Name Change was approved by the Company’s Board of Directors (the “Board”) on September 2, 2025, and became effective at 12:01 a.m. (Eastern Time) on September 5, 2025.

SEGMENTS

The Company's Building Solutions segment consists of the following operating businesses: KBS Builders, Inc. ("KBS"); EdgeBuilder, Inc. ("EdgeBuilder"); Glenbrook Building Supply, Inc. ("Glenbrook"); and Timber Technologies Solutions, Inc. ("TT"). EdgeBuilder and Glenbrook are managed together and are referred to collectively as "EBGL." KBS, based in Maine, manufactures modular buildings, primarily serving the single-family and multi-family residential markets in New England. EBGL, based in the Minneapolis-Saint Paul area, manufactures and delivers structural wall panels and other engineered wood-based products and distributes building materials through two lumberyard locations, primarily serving professional builder customers in the Upper Midwest region. TT, located outside the Minneapolis-Saint Paul area, manufactures glue-laminated timber ("glulam") products for a range of end markets and applications, including agriculture, industrial, infrastructure, and building construction (commercial and residential).

The Business Services segment consists of HTS and provides customized recruitment and contracting solutions to mid-to-large multinational companies. Service offerings include Recruitment Process Outsourcing ("RPO"), project-based RPO, contingent workforce solutions, recruitment consulting, outsourced professional contract staffing, and managed service provider ("MSP") services. HTS operates directly in eighteen countries across three geographic regions: the Americas, Asia Pacific, and Europe, Middle East, and Africa. HTS delivery teams utilize standardized recruitment methodologies and project management expertise to support clients' ongoing workforce requirements. HTS leverages its consultants and proprietary processes to identify, select, and engage talent for critical client roles. In addition, clients may receive outsourced professional contract staffing services and MSP solutions, offered on a standalone basis or as part of an integrated total talent solution. HTS-employed professionals are placed with client organizations, individually or as teams, for defined periods based on specific business requirements.

The Company's Energy Services segment consists of ADT, a Wyoming and Texas based provider of drilling tools and services to the energy industry, a key sector of the economy. ADT is a full-service downhole drilling tool company that provides sales and rental tools in the Oil & Gas, Geothermal, Mining, and Waterwells sectors. ADT is strategically located near premier oilfields in the Rockies, a geothermal and mining hub, and in Midland, TX within the Permian Basin. ADT's business model allows the majority of costs, such as freight, repairs, and damages, to be passed directly to customers.

The Investments segment holds and manages certain of our corporate-owned real estate, including a manufacturing facility in Maine that is leased to KBS and a manufacturing facility in Wisconsin that is leased to TT. The Investments segment manages investments in a small number of public and private companies. SOC acquired these interests in May 2023 as a result of the sale of Digirad Health. The Investments segment also holds an investment in Enservco Corporation consisting of an investment in Enservco Common Stock, an investment in Enservco Preferred Stock, and an investment in a call option, all of which were acquired in the third quarter of 2024 and which currently have a carrying value of zero.

See Note 17 to the Consolidated Financial Statements for further details regarding the Company's reportable segments: Building Solutions, Business Services, Energy Services and Investments.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in the United States of America ("U.S."). Certain prior period amounts have been reclassified to conform to the current year presentation with no material impact on the Consolidated Financial Statements. Unless otherwise stated, amounts are presented in U.S. dollars and all amounts are in thousands, except for number of shares and per share amounts.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of the Company and all of its wholly owned and majority-owned subsidiaries. All significant inter-company accounts and transactions between and among the Company and its subsidiaries have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the reported amounts of assets and liabilities, the disclosures about contingent assets and liabilities, and the reported amounts of revenue and expenses. The critical accounting estimates include revenue recognition, income taxes, and business combinations and asset acquisitions. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. The Company adjusts such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from those estimates.

Concentration and Credit Risk

The Company serves a diverse client base across multiple industries through its operating segments, including construction, energy, and global talent solutions, with customers that include mid-to-large multinational corporations, commercial contractors, energy companies, and government agencies. For the years ended December 31, 2025 and 2024, approximately 73% and 85% of revenue, respectively, was generated by its top 25 clients. In 2025, one client accounted for 23% of revenue, while in 2024 three clients accounted for an aggregate of 46% of revenue. As of December 31, 2025 and 2024, one client represented approximately 14% and 24% of accounts receivable, respectively. Our business is dependent upon the continuation of these business relationships as well as new client development. As part of our client retention and renewal strategy, we continue to develop and foster long-term relationships, and have been successful in retaining and negotiating multi-year (three to five year) contracts with most of our key partners.

Financial instruments, which potentially subject the Company to concentrations of credit risk, are primarily cash and accounts receivable. The Company performs continuing credit evaluations of its customers and does not require collateral. The Company has not experienced significant losses related to receivables in the Consolidated Statements of Operations.

The Company may from time to time maintain cash in banks in excess of Federal Deposit Insurance Corporation insurance limits. However, the Company regularly monitors the financial condition of the institutions in which it has depository accounts and believes the risk of loss is minimal as these banks are large financial institutions with strong credit ratings.

Revenue Recognition

Revenue is measured according to ASC 606, Revenue - "Revenue from Contracts with Customers," and is recognized based on consideration specified in a contract with a client. We account for a contract when both parties to the contract have approved the contract, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable. Revenues are recognized over time, using an input or output method, as the control of the promised services is transferred to the client in an amount that reflects the consideration we expect to be entitled to in exchange for those services. The majority of our contracts are short-term in nature as they include termination clauses that allow either party to cancel within a short termination period, without cause. Revenue includes billable travel and other reimbursable costs and is reported net of value added taxes, sales, or use taxes collected from clients and remitted to taxing authorities.

Business Services Revenue Recognition

Certain client contracts have variable consideration, including usage-based fees that increase the transaction price and volume rebates or other similar items that generally reduce the transaction price. We estimate variable consideration using the expected value method based on the terms of the client contract and historical evidence. These amounts may be constrained and are only included in revenue to the extent we do not expect a significant reversal when the uncertainty associated with the variable consideration is resolved. Other than bonuses to be paid to contractors, on behalf of our clients, our estimated amounts of variable consideration subject to constraints at period end are not material and we do not believe that there will be significant changes to our estimates. Certain contract employees are entitled to performance bonuses at the sole discretion of the client and are constrained until approved. Bonuses of \$1.1 million were approved and paid to our contract employees on behalf of our clients for the year ended December 31, 2025. No bonuses were approved and paid to our contract employees on behalf of our clients for year ended December 31, 2024.

We record accounts receivable when our right to consideration becomes unconditional. The Company's accounts receivable balances are composed of trade and unbilled receivables. Unbilled accounts receivable represent revenue recorded in advance of processing formal invoices pursuant to the completion of contract provisions and, generally, become billable at contractually specified dates. Unbilled amounts are expected to be invoiced and collected within one year. Contract assets primarily relate to our rights to consideration for services provided that such rights to consideration are conditional on satisfaction of future performance obligations. A contract liability for deferred revenue is recorded when consideration is received, or is unconditionally due, from a client prior to transferring control of services to the client under the terms of a contract. Deferred revenue balances typically result from advance payments received from clients prior to transferring control of services. We do not have any material contract assets or liabilities as of and for the years ended December 31, 2025 and 2024.

Payment terms vary by client and the services being provided to the client. We consider payment terms that exceed one year to be extended payment terms. Substantially all of the Company's contracts include payment terms of 90 days or less, and we do not extend payment terms beyond one year.

We primarily record revenue on a gross basis in the Consolidated Statements of Operations based upon the following key factors:

- We maintain the direct contractual relationship with the client and are responsible for fulfilling the service promised to the client.
- We maintain control over our contractors while the services to the client are being performed, including our contractors' billing rates.

RPO. We provide complete recruitment outsourcing, project-based outsourcing, and recruitment consulting services for clients' permanent staff hires. We recognize revenue for our RPO over time in an amount that reflects the consideration we expect to be entitled to and have an enforceable right to payment in exchange for our services. The client simultaneously receives and consumes the benefits of the services as they are provided. The transaction prices contain both fixed fee and variable usage-based consideration. Variable usage-based consideration is constrained by candidates accepting offers of permanent employment. We recognize revenue on fixed fees as the performance obligations are satisfied and on usage-based fees as the constraint is lifted. We do not incur incremental costs to obtain our RPO contracts. The costs to fulfill these contracts are expensed as incurred.

We recognize permanent placement revenue when employment candidates accept offers of permanent employment. We have a substantial history of estimating the financial impact of permanent placement candidates who do not remain with our clients through a guarantee period. Fees to clients are generally calculated as a percentage of the new employee's annual compensation. No fees for permanent placement services are charged to employment candidates.

Contracting. We provide clients with a range of outsourced professional contract staffing services and managed service provider services offered sometimes on a standalone basis and sometimes as part of a blended total talent solution. We recognize revenue for our contracting services over time as services are performed in an amount that reflects the consideration we expect to be entitled to and have an enforceable right to payment in exchange for our services, which is generally calculated as hours worked multiplied by the agreed-upon hourly bill rate. The client simultaneously receives and consumes the benefits of the services as they are provided. We do not incur incremental costs to obtain our contracts for outsourced professional contract staffing services and managed service provider services. The costs incurred to fulfill these contracts are expensed as incurred.

Building Solutions Revenue Recognition

We recognize revenue when a customer obtains control of promised goods or services. We record the amount of revenue that reflects the consideration that we expect to receive in exchange for those goods or services. We recognize revenue 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, including certain instances which 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 when the company creates an asset with no alternative use and 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.

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.

Within the Building Solutions segment, we service residential and commercial construction projects by manufacturing modular housing units and other products, supplying general contractors with building materials and providing glulam products to distributors and end users. 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. Retail sales at Glenbrook are recognized at the point of sale. TT manufactures glue-laminated timber products (“glulam”) for various end markets and applications, including agriculture, industrial, infrastructure, and building construction (commercial and residential). 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 is generally recognized at point in time upon delivery of product or over time by measuring progress towards completion.

Energy Services Revenue Recognition

ADT is principally engaged in the business of renting drilling tools. We also sell new drilling tools, drilling parts, supplies, and used rental tools. In addition, ADT offers repair services to support its customers. Tools purchased for sale are recorded as inventory. Tools intended for rental are recorded as part of fixed assets. Equipment rental revenue is recognized on a straight-line basis over the length of the rental contract. New tools, parts, and supplies sales are recognized as revenue upon transfer of control, which generally occurs when products are picked up by or delivered to the customer. Repair services revenues are recognized in the period the services are provided. Upon the sale of other rental tools from fixed assets, we recognize a gain or loss on the sale in other income (expense), net.

ADT’s equipment rental agreements generally contain provisions whereby should the rented tools or components provided to a customer be deemed to be irretrievably lost during drilling operations, commonly referred to as “lost-in-hole,” ADT has the right to receive reimbursement for such losses. Amounts billed to customers are at an agreed upon price relative to the specific piece of equipment, the revenue of which is recognized at the time the loss of the equipment is confirmed. The gross profit recognized from lost-in-hold transactions is normally calculated as the difference between the amounts billed to the customer and the net book value of the lost equipment. This gross profit is presented as a separate line item in the statement of cash flows under operating activities, and the cash received in connection with these activities is presented as an offset to cash purchases of property and equipment in the investing section of the statement of cash flows, to the extent it does not exceed the cash used for the purchases of the replacement equipment.

Unsatisfied performance obligations. As a practical expedient, we do not disclose the value of unsatisfied performance obligations for (i) contracts with an expected original duration of one year or less and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed. See Note 4 for information on disaggregated revenue.

Operating Expenses

Salaries and related expenses include the salaries, commissions, payroll taxes and employee benefits related to recruitment professionals, executive level employees, administrative staff, and other employees of the Company who are not temporary contractors. Office and general expenses include occupancy, equipment leasing and maintenance, utilities, travel expenses, professional fees, and provision for expected credit losses. The Company expenses job board and legal costs as incurred.

Stock-Based Compensation

The Company applies the fair value recognition provisions of ASC 718, “*Compensation - Stock Compensation*.” The Company determines the fair value as of the grant date. For awards with graded vesting conditions, the values of the awards are determined by valuing each tranche separately and expensing each tranche over the required service period. The service period is the period over which the related service is performed, which is generally the same as the vesting period. The Company accounts for forfeitures as they occur. During the years ended December 31, 2025 and 2024, the Company only granted restricted stock units and restricted shares of common stock.

Employee Benefit Programs

The Company in the U.S. sponsors a defined contribution plan covering substantially all of its full-time employees (the “401(k) Plan”). The Company recognized expense related to the 401(k) Plan totaling approximately \$264 and \$216 for the years ended December 31, 2025 and 2024, respectively.

Income Taxes

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which enhances annual income tax disclosures primarily related to the effective tax rate reconciliation and income taxes paid. The standard is effective for the Company for annual periods beginning after January 1, 2025, and has been adopted on a prospective basis, with earlier periods not revised. The guidance does not change the recognition or measurement of income taxes under ASC 740; rather, it results in expanded disclosures in the notes to the consolidated financial statements, including additional disaggregation of the rate reconciliation, income taxes paid by jurisdiction, and certain information about income (loss) from continuing operations and related income tax expense by jurisdiction.

Earnings from the Company’s global operations are subject to tax in various jurisdictions both within and outside the United States. The Company accounts for income taxes in accordance with ASC 740, “*Income Taxes*.” This standard establishes financial accounting and reporting standards for the effects of income taxes that result from an enterprise’s activities. It requires an asset and liability approach for financial accounting and reporting of income taxes.

The calculation of net deferred tax assets assumes sufficient future earnings for the realization of such assets as well as the continued application of currently anticipated tax rates. Included in net deferred tax assets is a valuation allowance for deferred tax assets where management believes it is more likely than not that the deferred tax assets will not be realized in the relevant jurisdiction. If we determine that a deferred tax asset will not be realizable, an adjustment to the deferred tax asset will result in a reduction of earnings at that time. See Note 8 to the Consolidated Financial Statements for further information regarding deferred tax assets and our valuation allowance.

ASC 740-10-55-3, “*Recognition and Measurement of Tax Positions - a Two Step Process*,” provides implementation guidance related to the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements and prescribes a two-step evaluation process for a tax position taken or expected to be taken in a tax return. The first step is recognition and the second is measurement. ASC 740 also provides guidance on derecognition, measurement, classification, disclosures, transition, and accounting for interim periods. The Company provides tax reserves for U.S. federal, state, local, and international unrecognized tax benefits for all periods subject to audit. The development of reserves for these exposures requires judgments about tax issues, potential outcomes and timing, and is a subjective critical estimate. The Company assesses its tax positions and records tax benefits for all years subject to examination based upon management’s evaluation of the facts, circumstances, and information available at the reporting dates. For those tax positions where it is more likely than not that a tax benefit will be sustained, the Company has recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon settlement with a tax authority that has full knowledge of all relevant information. For those tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements. Where applicable, associated interest and penalties have also been recognized as a component of income tax expense. Although the outcome related to these exposures is uncertain, in management’s opinion, adequate provisions for income taxes have been made for estimable potential liabilities emanating from these exposures. In certain circumstances, the ultimate outcome for exposures and risks involves significant uncertainties which render them inestimable. If actual outcomes differ materially from these estimates, including those that cannot be quantified, they could have material impact on the Company’s results of operations.

The Company has provided tax on all unremitted earnings of our foreign subsidiaries taking into consideration all expected future events based on presently existing tax laws and rates.

The Company has elected to recognize the tax on Global Intangible Low Taxed Income (“GILTI”) as a period expense in the year the tax is incurred.

(Loss) earnings Per Share

Basic (loss) earnings per share (“EPS”) is computed by dividing the Company’s net income by the weighted average number of shares outstanding during the period. When the effects are not anti-dilutive, diluted (loss) earnings per share is computed by dividing the Company’s net income by the weighted average number of shares outstanding and the impact of all dilutive potential common shares, primarily stock options “in-the-money” and unvested restricted stock. The dilutive impact of stock options and unvested restricted stock is determined by applying the “treasury stock” method. Performance-based restricted stock awards are included in the computation of diluted (loss) earnings per share only to the extent that the underlying performance conditions: (i) are satisfied prior to the end of the reporting period, or (ii) would be satisfied if the end of the reporting period were the end of the related performance period and the result would be dilutive under the treasury stock method. Stock awards subject to vesting or exercisability based on the achievement of market conditions are included in the computation of diluted (loss) earnings per share only when the market conditions are met.

Income (loss) per share calculations for each quarter include the weighted average effect for the quarter; therefore, the sum of quarterly income per share amounts may not equal year-to-date income per share amounts, which reflect the weighted average effect on a year-to-date basis. In addition, the calculation of the impact of dilutive potential common shares might be dilutive on a quarterly basis but anti-dilutive on a year-to-date basis or vice versa.

Fair Value of Financial Instruments

Fair value is defined as the amount that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and is measured using inputs in one of the following three categories:

Level 1 measurements are based on unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access. Valuation of these items does not entail a significant amount of judgment.

Level 2 measurements are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active or market data other than quoted prices that are observable for the assets or liabilities.

Level 3 measurements are based on unobservable data that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

The carrying amounts reported in the Consolidated Balance Sheets for cash and cash equivalents, accounts receivable, accounts payable and short-term borrowings approximate fair value because of the immediate or short-term maturity of these financial instruments.

The Company occasionally enters into derivative financial instruments to manage certain market risks. These derivative instruments are not designated as hedging instruments and accordingly, are recorded at fair value in the Consolidated Balance Sheets with the changes in fair value recognized in cost of revenue in the Consolidated Statements of Operations.

Cash and Cash Equivalents

For financial statement presentation purposes, the Company considers all highly liquid investments having an original maturity of three months or less as cash equivalents.

Restricted Cash

Restricted cash primarily represents amounts required to be held on deposit for a travel and entertainment program in the U.K., a bank guarantee for licensing in Switzerland, and deposits held for office space. Restricted cash also includes cash for letters of credit for our real estate leases and certain minimum balance requirements on our banking arrangements.

Equity Securities

Securities consist of investments in equity securities that are publicly traded. These equity securities are measured at fair value on a trade date basis and changes in fair value are recognized in net income in other income (expense). Investments that are strategic in nature, with the intent to hold the investment over a several year period, are classified as long-term investments.

Accounts Receivable

The Company's accounts receivable balances are composed of trade and unbilled receivables. Unbilled accounts receivable represent revenue recorded in advance of processing formal invoices pursuant to the completion of contract provisions and, generally, become billable at contractually specified dates. Unbilled receivables of \$6,960 and \$5,925 as of December 31, 2025 and 2024, respectively, are expected to be invoiced and collected within one year. The Company records accounts receivable when its right to consideration becomes unconditional. Contract assets primarily relate to our rights to consideration for services provided that they are conditioned on satisfaction of future performance obligations. Accounts receivable, net, are stated at the amount the Company expects to collect, which is net of estimated losses resulting from the inability of its customers to make required payments.

Allowance for Expected Credit Losses

The allowance for expected credit losses is estimated based on the CECL model and takes into account information about past events, current conditions, and reasonable and supportable forecasts of future economic conditions. It represents the aggregate amount of credit risk arising from the inability of specific clients to pay our fees or from disputes that may affect our ability to fully collect billed accounts receivable. In determining the collectability of specific customer accounts, we evaluate a number of factors, including customer creditworthiness, past transaction history, changes in financial stability, payment terms and practices, and the effect of market conditions on each customer. Other factors considered include, but are not limited to, current economic conditions and forward-looking estimates. Actual results may differ from our estimates. If the financial condition of our clients deteriorates, resulting in their inability or unwillingness to pay our fees, we may be required to record additional provisions for expected credit losses in future periods. Credit risk may be mitigated to the extent that we receive retainers from certain clients prior to performing services.

Changes in the allowance for expected credit losses are recorded in office and general expenses in the Consolidated Statements of Operations and were not material for the year ended December 31, 2025. Accounts receivable, net of the allowance for expected credit losses, represents the amount we expect to collect. At each reporting date, we adjust the allowance to reflect our current estimate. Billed accounts receivable are written off when the potential for recovery is considered remote.

The Company generally establishes customer credit limits and estimates the allowance for credit losses on a country or geographic basis. Customer credit limits are based on an initial evaluation of the customer's credit quality and are adjusted based on ongoing credit assessments, including payment history and changes in credit quality. The allowance for expected credit losses is determined based on an assessment of past collection experience, as well as consideration of current and future economic conditions and changes in customer collection trends.

Long-Term Investments

As a part of the sale of Digirad Health, Star Operating Companies received common equity in Insignia TTG Parent LLC ("Catalyst Parent"), the parent entity of Catalyst formerly known as TTG Imaging Solutions, LLC. In accounting for this investment, we have elected the measurement alternative under ASC 321 "Accounting for Investments in Equity Securities". The measurement alternative election allows for equity securities that do not have readily determinable fair values to be recorded at cost, with adjustments for impairment and certain observable price changes reflected in earnings. Such securities are adjusted to fair value when an observable price change occurs or impairment is identified. Each reporting period, we perform a qualitative and quantitative assessment considering impairment indicators to evaluate whether the investment is impaired. Impairment indicators include, but are not limited to, significant deterioration in earnings performance, significant adverse changes in the regulatory or economic environment and working capital deficiencies. If an investment is determined to be impaired, we include an impairment loss as a component of other income (expense) equal to the difference between the fair value of the investment and its carrying amount. During the period from August 22, 2025 through December 31, 2025 we recognized no impairment loss on this investment.

On August 9, 2024, SOC completed an investment in Enservco Corporation ("Enservco") ("Investment in Enservco"), which consisted of Enservco Common Stock, Enservco Preferred Stock, and certain other options reflected in the Share Exchange Agreement, and the Enservco Note Receivable (See Note 18, *Supplementary Balance Sheet Information*). The Investment in Enservco is required to be accounted for using the equity method of accounting under ASC 323, "Equity Method Investments and Joint Ventures", as we are deemed to have significant influence over Enservco based upon GAAP rules.

Inventory

Inventories are valued using first-in, first-out, or the weighted-average inventory method; stated at the lower of cost 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 inventory on-hand compared with historical and estimated future sales and usage for new and existing products and assumptions about the likelihood of obsolescence.

Debt Issuance Costs

We incur debt issuance costs in connection with debt financings. Debt issuance costs for line of credit are presented in other assets and are amortized over the term of the revolving debt agreements using the straight-line method. Debt issuance costs for term debt are netted against the debt and are amortized over the term of the loan using the effective interest method. Amortization of debt issuance costs are included in interest expense. As of December 31, 2025 we have no 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 \$1,469 for the year ended December 31, 2025. There were no shipping and handling fees or costs recorded for the year ended December 31, 2024.

Warranties

Within our Building Solutions 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 25 years. TT provides a limited warranty on glulam products for a period of 50 years. Estimated warranty costs are accrued in the period that the related revenue is recognized. See Note 18, *Supplementary Balance Sheet Information*, for further information.

Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred and are reported as Marketing and promotion in the Consolidated Income Statements. Total advertising and marketing costs were \$3,957 and \$3,588 for the years ended December 31, 2025 and 2024, respectively.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	5 - 20
Furniture, machinery, and equipment	3 - 13
Capitalized software costs	3 - 10
Computer equipment	3 - 5
Leasehold improvements	2 - 5

Leasehold improvements are amortized over the shorter of their estimated useful lives or the lease term. The amortization periods of material leasehold improvements are estimated at the inception of the lease term.

Leases

Lease liabilities are recognized at the commencement of a lease based on the sum of lease payments over the term of the lease. Lease liabilities are reduced as payments are made. A corresponding right-of-use asset is recognized at the same time as the lease liability based on the total amount of lease expense to be recognized, which is generally the same amount as the corresponding lease liabilities. Right-of-use assets are amortized over the life of the lease on a straight-line basis. The Company's lease agreements may include options to renew, extend, or terminate the lease. These clauses are included in the measurement of the lease liabilities when the Company is reasonably certain that it will exercise such options.

The Company has elected to exclude short-term leases from the recognition requirements of ASC 842. A lease is short-term if, at the commencement date, it has a term of less than or equal to one year. Lease expense related to short-term leases is recognized on a straight-line basis over the lease term.

Capitalized Software Costs

Capitalized software costs consist of costs to purchase and develop software for internal use. The Company capitalizes certain incurred software development costs in accordance with ASC 350-40, “Intangibles Goodwill and Other: Internal-Use Software.” Costs incurred during the application-development stage for software purchased and further customized by outside vendors for the Company’s use and software developed by a vendor for the Company’s proprietary use have been capitalized. Labor costs incurred during the application-development stage for the Company’s own personnel which are directly associated with software development are capitalized as appropriate. The Company expenses software and overhead cost incurred during the preliminary and/or post implementation of the project stage such as maintenance, training and upgrades or enhancements that do not increase functionality. Capitalized software costs are included in property and equipment.

Business Combinations and Asset Acquisitions

Business Combinations are accounted for under the acquisition method in accordance with ASC 805, “Business Combinations.” The acquisition method requires identifiable assets acquired and liabilities assumed and any non-controlling interest in the business acquired to be recognized and measured at fair value on the acquisition date, which is the date that the acquirer obtains control of the acquired business. The amount by which the fair value of consideration transferred as the purchase price exceeds the net fair value of assets acquired and liabilities assumed is recorded as goodwill. Acquisitions that do not meet the definition of a business under the ASC are accounted for as asset acquisitions. Asset acquisitions are accounted for by allocating the cost of the acquisition to the individual assets acquired and liabilities assumed on a relative fair value basis. Goodwill is not recognized in an asset acquisition with any consideration in excess of net assets acquired allocated to acquired assets on a relative fair value basis. Transaction costs are expensed in a business combination and are considered a component of the cost of the acquisition in an asset acquisition.

Intangible Assets

Intangible assets consist of customer relationships, trade names, non-competition agreements and developed technology. The Company periodically evaluates whether events or changes in circumstances have occurred that indicate long-lived assets may not be recoverable. When such circumstances are present, the Company assesses whether the carrying value will be recovered through the expected undiscounted future cash flows resulting from the use and eventual disposition of the long-lived asset. In the event the sum of the expected undiscounted future cash flows is less than the carrying value of the long-lived asset, an impairment loss equal to the excess of the long-lived asset’s carrying value over its fair value is recorded in accordance with ASC 360-10-35. There were no impairment triggers during the year ended December 31, 2025.

Amortization expense is computed using the straight-line method over the following estimated useful lives:

	Years
Non-compete agreements	2 - 3
Developed Technology	3
Customer lists	2 - 6
Trade name	2 - 10

Goodwill

The Company records the excess of purchase price over the fair value of the tangible and identifiable intangible assets acquired and liabilities assumed in a business combination as goodwill. The Company has allocated goodwill for certain acquisitions to its Americas reportable segment and others to its Asia Pacific reportable segment. Goodwill is not amortized and is tested for impairment on an annual basis on October 1, or when an event or changes in circumstances indicate that its carrying value may not be recoverable.

Goodwill impairment is tested at the reporting unit level, which is defined as an operating segment or one level below the operating segment. The annual, or interim, goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit.

The Company has the option to perform a qualitative assessment for reporting units to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of one or more of its reporting units is greater than its carrying amount. If, after assessing the totality of events or circumstances, the Company determines it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, there is no need to perform any further testing. However, if the Company concludes otherwise, then it is required to perform a quantitative impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded based on that difference. Alternatively, the Company has the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the quantitative goodwill impairment test. There were no impairment charges recorded in either fiscal year 2025 or 2024.

Foreign Currency Translation

The financial position and results of operations of the Company’s international subsidiaries are determined using local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the exchange rate in effect at each year-end. Statements of Operations accounts are translated at the average rate of exchange prevailing during each period. Translation adjustments arising from the use of differing exchange rates from period to period are included in the accumulated other comprehensive income (loss) account in stockholders’ equity, other than translation adjustments on short-term intercompany balances, which are included in other income (expense). Gains and losses resulting from other foreign currency transactions are included in other income (expense). Intercompany receivable balances of a long-term investment nature are considered part of the Company’s permanent investment in a foreign jurisdiction and the gains or losses on such balances are reported in other comprehensive income (loss).

Comprehensive Income (Loss)

Comprehensive income (loss) is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. The Company’s other comprehensive income (loss) is primarily comprised of foreign currency translation adjustments, which relate to investments that are permanent in nature.

NOTE 3 - ACCOUNTING PRONOUNCEMENTS

In July 2025, the FASB issued Accounting Standards Update 2025-05, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets. The ASU provides a practical expedient for estimating expected credit losses on current accounts receivable and contract assets arising from revenue transactions under ASC 606. Under the expedient, entities may assume that conditions existing as of the balance-sheet date will remain unchanged over the remaining life of those assets, thereby simplifying the estimation process for short-term receivables. The amendments are effective for fiscal years beginning after December 15, 2025, including interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact of this ASU on its consolidated financial statements and related disclosures.

In September 2025, the FASB issued ASU 2025-06, “Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software”, ASU 2025-06 updates the accounting for internal-use software by removing the previous “project stage” model and requiring capitalization only when management authorizes and commits to funding a project that is probable of completion. The ASU also adds guidance on assessing development uncertainty, incorporates website development into Subtopic 350-40, and aligns presentation and disclosure requirements with ASC 360. The amendments are effective for annual periods beginning after December 15, 2027, and interim periods within those years, with early adoption permitted. Entities may apply the standard prospectively, modified-prospectively, or retrospectively. The Company is currently evaluating the impact of this guidance and does not expect the adoption to have a material effect on its consolidated financial statements.

Adoption of New Accounting Pronouncements

In November 2024, the FASB issued ASU 2024-03, “Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses.” This update requires public entities to disclose additional information about specific expense categories in the notes to the financial statements on both an interim and annual basis. Subsequently, in January 2025, the FASB issued ASU 2025-01, “Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date. The new guidance is effective for the Company for fiscal years beginning after December 15, 2026, and for interim periods within annual reporting periods beginning after December 15, 2027. It may be applied on a retrospective or prospective basis, with early adoption permitted. The Company evaluated the update to determine the impact on the Company’s disclosures, and the amendments will be applied on a prospective basis.

In November 2023, the FASB issued ASU 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures.” The amendments in this ASU improve segment reporting requirements, primarily through enhanced disclosures on significant segment expenses. Other disclosures that the ASU requires public entities to provide include the title and position of the Chief Operating Decision Maker (“CODM”) and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources. In addition, the amendments enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, provide new segment disclosure requirements for entities with a single reportable segment, and contain other disclosure requirements. The amendments in this ASU are effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. A public entity should apply the amendments in this ASU retrospectively to all prior periods presented in the financial statements. The Company adopted this ASU for the year ended December 31, 2024, and has disclosed significant expenses reviewed by the CODM for each reportable segment, with no additional significant expenses identified beyond those presented. See Note 17, “Segment and Geographic Data” to the Consolidated Financial Statements.

NOTE 4 - REVENUE RECOGNITION

Building Solutions Revenue Recognition

Within the Building Solutions segment, we service residential and commercial construction projects by manufacturing modular housing units and other products, supplying general contractors with building materials and providing glue-laminated timber products (“glulam”) to distributors and end users. 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. Retail sales at Glenbrook are recognized at the point of sale. TT manufactures glulam for various end markets and applications, including agriculture, industrial, infrastructure, and building construction (commercial and residential). 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 is generally recognized at point in time upon delivery of product or over time by measuring progress towards completion. There are no contracts as of December 31, 2025 that are subject to over time recognition.

Business Services Revenue Recognition

We account for a contract when both parties to the contract have approved the contract, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable. Revenues are recognized over time or as services are delivered to customers, using an input or output method, as the control of the promised services is transferred to the client in an amount that reflects the consideration we expect to be entitled to in exchange for those services. The majority of our contracts are short-term in nature as they include termination clauses that allow either party to cancel within a short termination period, without cause. Revenue includes billable travel and other reimbursable costs and is reported net of sales or use taxes collected from clients and remitted to taxing authorities.

We generally determine standalone selling prices based on the prices included in our client contracts, using expected cost plus profit, or other observable prices. The price as specified in our client contracts is generally considered the standalone selling price as it is an observable input that depicts the price as if sold to a similar client in similar circumstances. Certain client contracts have variable consideration, including usage-based fees that increase the transaction price and volume rebates or other similar items that generally reduce the transaction price. We estimate variable consideration using the expected value method based on the terms of the client contract and historical evidence. These amounts may be constrained and are only included in revenue to the extent we do not expect a significant reversal when the uncertainty associated with the variable consideration is resolved. Other than bonuses to be paid to contractors, on behalf of our clients, our estimated amounts of variable consideration subject to constraints are not material, and we do not believe that there will be significant changes to our estimates. Certain contract employees are entitled to performance bonuses at the sole discretion of the client and are constrained until approved. \$1.1 million in bonuses were approved and paid to our contract employees in year ended December 31, 2025. No bonuses were approved and paid to our contract employees on behalf of our clients for year ended December 31, 2024.

We record accounts receivable when our right to consideration becomes unconditional. Contract assets primarily relate to our rights to consideration for services provided that such rights to consideration are conditional on satisfaction of future performance obligations. A contract liability for deferred revenue is recorded when consideration is received, or is unconditionally due, from a client prior to transferring control of services to the client under the terms of a contract. Deferred revenue balances typically result from advance payments received from clients prior to transferring control of services. Other than deferred revenue, we do not have any material contract assets or liabilities as of and for the year ended December 31, 2025 and 2024.

Payment terms vary by client and the services being provided to the client. We consider payment terms that exceed one year to be extended payment terms. Substantially all of the Company's contracts include payment terms of 90 days or less, and we do not extend payment terms beyond one year.

We primarily record revenue on a gross basis in the Consolidated Statements of Operations and Comprehensive Income based upon the following key factors:

- We maintain the direct contractual relationship with the client and are responsible for fulfilling the service promised to the client.
- We maintain control over our contractors while the services to the client are being performed, including our contractors' billing rates, and are ultimately responsible for paying them.

RPO. We provide complete recruitment outsourcing, project-based outsourcing, and recruitment consulting services for clients' permanent staff hires. We recognize revenue for our RPO over time in an amount that reflects the consideration we expect to be entitled to and have an enforceable right to payment in exchange for our services. The client simultaneously receives and consumes the benefits of the services as they are provided. The transaction prices contain both fixed fees and variable consideration. Variable consideration is constrained by candidates accepting offers of permanent employment. We recognize revenue on fixed fees as the performance obligations are satisfied and variable fees as the constraint is lifted. We do not incur incremental costs to obtain our RPO contracts. The costs to fulfill these contracts are expensed as incurred.

We recognize permanent placement revenue when employment candidates accept offers of permanent employment. We have a substantial history of estimating the financial impact of permanent placement candidates who do not remain with our clients through a guarantee period. Fees to clients are generally calculated as a percentage of the new employee's annual compensation. No fees for permanent placement services are charged to employment candidates.

Contracting. We provide clients with a range of outsourced professional contract staffing services and managed service provider services, sometimes offered on a standalone basis and sometimes offered as part of a blended total talent solution. We recognize revenue for our contracting services over time as services are performed in an amount that reflects the consideration we expect to be entitled to and have an enforceable right to payment in exchange for our services, which is generally calculated as hours worked multiplied by the agreed-upon hourly bill rate. The client simultaneously receives and consumes the benefits of the services as they are provided. We do not incur incremental costs to obtain our contracts for outsourced professional contract staffing services and managed service provider services. The costs incurred to fulfill these contracts are expensed as incurred.

Unsatisfied performance obligations. As a practical expedient, we do not disclose the value of unsatisfied performance obligations for (i) contracts with an expected original duration of one year or less and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed.

Energy Services Revenue Recognition

ADT is principally engaged in the business of renting drilling tools. We also sell new drilling tools, drilling parts, supplies, and used rental tools. In addition, ADT offers repair services to support its customers. Tools purchased for sale are recorded as inventory. Tools intended for rental are recorded as part of fixed assets. Equipment rental revenue is recognized on a straight-line basis over the length of the rental contract. New tools, parts, and supplies sales are recognized as revenue upon transfer of control, which generally occurs when products are picked up by or delivered to the customer. Repair services revenues are recognized in the period the services are provided. Upon the sale of other rental tools from fixed assets, we recognize a gain or loss on the sale in other income (expense), net.

ADT's equipment rental agreements generally contain provisions whereby should the rented tools or components provided to a customer be deemed to be irretrievably lost during drilling operations, commonly referred to as "lost-in-hole," ADT has the right to receive reimbursement for such losses. Amounts billed to customers are at an agreed upon price relative to the specific piece of equipment, the revenue of which is recognized at the time the loss of the equipment is confirmed. The gross profit recognized from lost-in-hole transactions is normally calculated as the difference between the amounts billed to the customer and the net book value of the lost equipment. This gross profit is presented as a separate line item in the statement of cash flows under operating activities, and the cash received in connection with these activities is presented as an offset to cash purchases of property and equipment in the investing section of the statement of cash flows, to the extent it does not exceed the cash used for the purchases of the replacement equipment. Revenue recognized for the period ended December 31, 2025, totaled \$418. No significant lost-in-hole reimbursements were outstanding or contingent as of the end of the year.

Billings in excess of costs and estimated profit. We recognize billings in excess of costs and estimated profit on uncompleted contracts within current liabilities. Such amounts relate to fixed-price contracts recognized over time, and represents payments in advance of performing the related contract work. Billings in excess of costs and estimated profit on uncompleted contracts are not considered to be a significant financing component because they are generally used to meet working capital demands that can be higher in the early stages of a contract. Contract liabilities are reduced when the associated revenue from the contract is recognized, which is generally within one year. There are no liabilities associated with billings in excess of costs at December 31, 2025.

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 these costs when the amortization period is one year or less. These costs primarily consist of internal sales commissions; under the terms of these programs these are generally earned and the costs are recognized at the time the associated revenue is recognized. As of December 31, 2025, there were no contract costs recognized.

Deferred Revenue. Deferred revenue represents customer deposits and advanced payments for contracts that are subject to point-in-time recognition, or payments received prior to transferring control of services to customers. We have determined our contracts do not include a significant financing component.

Changes in deferred revenue for the year ended December 31, 2025 are as follows:

Balance at December 31, 2024	\$	129
Revenue recognized that was included in balance at beginning of the year		(129)
Deferred revenue, net, assumed from the acquisition of Star Operating Companies		3,609
Deferred revenue, net, related to contracts entered into during the year		(2,113)
Balance at December 31, 2025	\$	<u>1,496</u>

Disaggregation of Revenue

The following tables present our revenue disaggregated by major source for the years ended December 31, 2025 and 2024, respectively:

	Year ended December 31, 2025			
	Building Solutions	Business Services	Energy Services	Total
Major Goods/Service Lines				
Revenue from RPO Customers	\$ -	\$ 68,379	\$ -	\$ 68,379
Revenue from Contracting Customers	-	71,273	-	71,273
Revenue from Other Contracts with Customers	27,578	-	4,929	32,507
Total Revenues	<u>\$ 27,578</u>	<u>\$ 139,652</u>	<u>\$ 4,929</u>	<u>\$ 172,159</u>
Timing of Revenue Recognition				
Services and goods transferred over time	\$ -	\$ 99,386	\$ 3,447	\$ 102,833
Services and goods transferred at a point in time	27,578	40,266	1,482	69,326
Total Revenues	<u>\$ 27,578</u>	<u>\$ 139,652</u>	<u>\$ 4,929</u>	<u>\$ 172,159</u>

	Year ended December 31, 2024
	Business Services
Major Goods/Service Lines	
Revenue from RPO Customers	\$ 67,993
Revenue from Contracting Customers	72,063
Total Revenues	<u>\$ 140,056</u>
Timing of Revenue Recognition	
Services and goods transferred over time	\$ 103,098
Services and goods transferred at a point in time	36,958
Total Revenues	<u>\$ 140,056</u>

NOTE 5 - ACQUISITIONS

Star Operating Companies

On August 22, 2025, the Company completed its previously announced acquisition of SOC pursuant to the Agreement and Plan of Merger, dated as of May 21, 2025 (the “Merger Agreement”). This resulted in a business combination pursuant to ASC 805, *Business Combinations*.

The terms of the Merger Agreement determined consideration for the purchase as follows: at the Effective Time, (i) each share of common stock of SOC issued and outstanding immediately prior to the Effective Time (other than certain shares as set forth in the Merger Agreement) were automatically converted into the right to receive 0.23 shares of Company common stock and (ii) each share of preferred stock of SOC issued and outstanding immediately prior to the Effective Time (other than certain shares set forth in the Merger Agreement) were automatically converted into the right to receive one (1) share of Star 10% Series A Cumulative Perpetual preferred stock (“Preferred Stock”). As a result of the Merger, former SOC common stockholders received approximately 744,291 shares of Star common stock for their SOC common shares and former SOC preferred stockholders received approximately 2,690,637 shares of Preferred Stock. No fractional shares of Star common stock were issued in the Merger, and SOC stockholders became entitled to receive cash in lieu of fractional shares in accordance with the Merger Agreement. The total consideration paid for SOC, which represents the fair value of the common and preferred stock, totaled approximately \$32,174. Prior to the completion of the Merger Agreement, the Company determined that the Merger Agreement was in the best interests of the Company and for each of the Star and the SOC stockholders.

In accordance with ASC 805, *Business Combinations*, we accounted for this transaction as a business combination and recorded the acquired assets of SOC at their estimated fair value. The valuation of assets acquired and liabilities assumed has not yet been finalized as of December 31, 2025. The purchase price allocation is preliminary and subject to change, including the valuation of property and equipment, intangible assets, inventory, income taxes, and goodwill, among other items. The amounts recognized will be finalized as the information necessary to complete the analysis is obtained, but no later than one year after the acquisition date. Finalization of the valuation during the measurement period could result in a change in the amounts recorded for the acquisition date fair value. The fair values of assets acquired and liabilities assumed were determined using valuation techniques consistent with ASC 820, *Fair Value Measurement*. These fair value measurements are considered nonrecurring and were determined as of the acquisition date. As noted in Note 2, Description of Business, SOC is reported as part of our Building Solutions, Energy Services, and Investments segments. The Company incurred transaction costs related to the SOC Acquisition of \$1,600 that were expensed as part of “Office and general”.

During the measurement period, the Company recorded adjustments to the preliminary purchase price allocation related to additional information obtained about facts and circumstances that existed as of the acquisition date. These adjustments resulted in an increase to Accrued expenses and other current liabilities of \$896 and a decrease to Inventory and Accounts receivable, net of \$457 and \$352, respectively. In addition, Notes receivable, net of current portion increased by \$1,705 to reflect updated information obtained during the measurement period regarding the terms and estimated fair value of the contingent consideration associated with the Catalyst acquisition.

The increase in Accrued expenses and other current liabilities primarily reflects the recognition of pre-acquisition obligations consisting of \$180 for litigation expenses, \$375 of sales tax liabilities, \$65 of professional fees, and \$428 of current liabilities related to inventory management system implementation and benefit cost, partially offset by a \$152 state tax refund. The decrease in Accounts receivable, net relates to the write-off of a receivable that was determined not to be collectible as of the acquisition date.

In connection with the terms of the acquisition of ADT by Star Operating Companies, Inc. on March 3, 2025, the Company agreed to pay \$1.0 million in cash to the former owners of ADT on or before the one-year anniversary of the acquisition date.

Related Party Considerations

As disclosed in the Registration Statement on Form S-4, which was declared effective by the SEC on July 22, 2025, and the Joint Proxy Statement/Prospectus filed with the SEC on July 23, 2025 (the “Joint Proxy Statement/Prospectus”), Jeffrey Eberwein, Hudson’s Chief Executive Officer and the holder of approximately 10% of Hudson’s common stock at the time of the Merger, was also a director and substantial stockholder of Star Operating Companies. The number of shares of common stock issued in connection with the Merger represented in excess of 5% of the shares of Hudson common stock outstanding immediately prior to the Merger, and stockholders of Star Operating Companies immediately prior to the Merger held approximately 21% of the outstanding shares of Hudson common stock following the consummation of the Merger. Mr. Eberwein continues to serve as Chief Executive Officer and remains a significant stockholder of the Company, holding approximately 27% of outstanding shares of Star Equity Holdings, Inc. as of December 31, 2025.

The following table sets forth the purchase price allocation of SOC to the estimated fair value of assets acquired as of the acquisition date:

	Fair Value
Assets Acquired:	
Cash and cash equivalents	\$ 4,641
Restricted cash, current	597
Investments in equity securities	2,561
Accounts receivable	11,463
Inventories, net	9,101
Note receivable, current portion	269
Prepaid and other	1,246
Property and equipment, net	17,959
Operating lease right-of-use assets	8,608
Long term investments	953
Notes receivable, net of current portion	8,473
Restricted cash, non-current	1,729
Assets Acquired	\$ 67,600
Liabilities Assumed:	
Current payables	\$ 3,203
Accrued salaries, commissions and benefits	2,165
Accrued expenses and other current liabilities	5,162
Short-term debt	6,042
Deferred revenue	3,609
Operating lease liabilities, current portion	228
Long-term debt, net of current portion	6,630
Operating lease liabilities, net of current portion	8,387
Liabilities assumed	\$ 35,426
Fair value of consideration transferred	\$ 32,174

The revenue and net income of SOC from August 22, 2025 through December 31, 2025 totaled \$32,507 and \$613, respectively.

Unaudited Pro Forma Financial Information

The following unaudited consolidated pro forma information gives effect to the acquisitions of SOC as if the transactions had occurred on January 1, 2024.

Pro-forma	Year ended December 31,	
	2025	2024
Revenue	\$ 222,967	\$ 193,415
Gross Profit	\$ 93,995	\$ 81,207
Net loss attributable to common shareholders	\$ (6,589)	\$ (17,248)

Alpha Consulting Group Acquisition

On July 23, 2025, the Company announced that it had acquired Alpha Consulting Group (“ACG”) (“Seller”), a Japan-based provider of recruitment services. The acquisition of ACG represents the Company’s entry into the Japanese market as part of its localization strategy for its Business Services segment. In connection with the ACG acquisition, the Seller received total \$146 in cash, subject to certain adjustments, at closing. There were no earn-out payment arrangements associated with the transaction. The ACG acquisition was accounted for as a business combination under the acquisition method of accounting. The total purchase price of \$146 consisted of \$200 paid in cash, net of cash acquired of \$14, and a working capital adjustment of negative \$68. The purchase price was allocated to the net tangible and intangible assets and liabilities based on their estimated fair values as of the acquisition date, with the excess recorded as goodwill. The Company incurred \$11 of transaction costs related to the ACG Acquisition, which were expensed as part of “Office and general.”

The Company’s Consolidated Statements of Operations for the year ended December 31, 2025, included revenue of \$254 and net loss of \$136 from ACG.

Below is a summary of the fair value of the net assets acquired on the acquisition date:

	Fair Value
Assets Acquired:	
Cash and cash equivalents	\$ 10
Accounts receivable	29
Prepaid and other	5
Intangible assets	95
Goodwill	242
Restricted cash, non-current	4
Assets Acquired	\$ 385
Liabilities Assumed:	
Current payables	\$ 77
Accrued salaries, commissions and benefits	3
Accrued expenses and other current liabilities	126
Deferred tax Liabilities	33
Liabilities Assumed	\$ 239
Fair value of consideration transferred	\$ 146

NOTE 6 - STOCK-BASED COMPENSATION

Equity Compensation Plans

The Company maintains the Hudson Global, Inc. 2009 Incentive Stock and Awards Plan, as amended and restated on May 24, 2016 and further amended on September 14, 2020, May 17, 2022 and August 22, 2025 (the “ISAP”), pursuant to which it can issue equity-based compensation incentives to eligible participants. The ISAP permits the granting of stock options, restricted stock, restricted stock units, and other types of equity-based awards. The Compensation Committee (the “Compensation Committee”) of the Board of Directors (the “Board”) will establish such conditions as it deems appropriate for the granting or vesting of stock options, restricted stock, restricted stock units and other types of equity-based awards. As determined by the Compensation Committee, equity awards may also be subject to immediate vesting upon the occurrence of certain events including death, disability, retirement or a change in control of the Company. When we make grants of restricted stock or restricted stock units to our executive officers, including the named executive officers, we enter into Restricted Stock Agreements and Restricted Stock Unit Agreements with such executive officers that contain provisions that are triggered upon a termination of an executive officer or a change in control of our Company. For awards of restricted stock granted beginning on November 6, 2015, effective upon a change in control of our Company, if the executive is employed by us or an affiliate of ours immediately prior to the date of such change in control and is subsequently terminated within 12 months following the date of such change in control, the shares of restricted stock will fully vest and the restrictions imposed upon the restricted stock will be immediately deemed to have lapsed. For awards of restricted stock units granted beginning on March 10, 2016, effective upon a change in control of our Company, if the executive is employed by us or an affiliate of ours immediately prior to the date of such change in control and is subsequently terminated within 12 months following the date of such change in control, the restricted stock units will fully vest and the restrictions imposed upon the restricted stock units will be immediately deemed to have lapsed. The Company primarily grants restricted stock and restricted stock units to its employees. A restricted stock unit is equivalent to one share of the Company’s common stock and is payable only in common stock of the Company issued under the ISAP.

The Compensation Committee administers the ISAP and may designate any of the following as a participant under the ISAP: any officer or other employee of the Company or its affiliates or individuals engaged to become an officer or employee, consultants, or other independent contractors who provide services to the Company or its affiliates, and non-employee directors of the Company. On August 31, 2025, the Company’s stockholders at the 2025 Annual Meeting of Stockholders approved amendments to the ISAP to, among other things, increase the number of shares of the Company’s common stock that are reserved for issuance by 400,000 shares and to permit the issuance of 175,000 shares of the Company’s preferred stock. As of December 31, 2025, there were 337,245 shares of the Company’s common stock and 170,320 shares of the Company’s preferred stock available for future issuance under the ISAP.

All share issuances related to stock compensation plans are issued from the aforementioned stock available for future issuance under stockholder approved compensation plan.

During the year 2025, the Company granted 48,688 restricted stock units subject to performance vesting conditions for the year ended December 31, 2025. In addition, the Company granted 8,918 time-vested restricted stock units to a certain employee that were not subject to performance conditions. The RSUs vest on the first anniversary of the grant date, with each RSU representing the right to receive one share of common stock upon settlement. Additionally, 66,171 time-vested restricted stock units were granted to the Global Chief Executive Officer at Hudson Talent Solutions. During 2024, the Company granted 47,647 restricted stock units subject to performance vesting conditions and granted 12,540 of discretionary time-vested restricted stock units to certain employees that were not subject to performance conditions. Additionally, 70,373 time-vested restricted stock units were granted to the Global Chief Executive Officer at Hudson RPO in 2024. In connection with the merger on August 22, 2025, the Company converted the unvested restricted stock unit awards previously granted under SOC’s equity incentive plans at the exchange ratio of 0.23 shares to 1. As of the merger date, these assumed awards consisted of 22,717 performance-based restricted stock units and 6,046 time-based restricted stock units. The assumed awards continue to be subject to their original vesting terms and conditions, and are recognized as part of the Company’s ongoing stock-based compensation expense.

A summary of the quantity and vesting conditions for stock-based units granted to the Company’s employees for the year ended December 31, 2025 was as follows:

Vesting conditions	Number of Restricted Stock Units Granted
Performance and service conditions - Type 1 ⁽¹⁾⁽²⁾	13,296
Performance and service conditions - Type 2 ⁽¹⁾⁽²⁾	35,392
Service conditions only - Type 1 and Type 3 ⁽²⁾⁽³⁾	75,089
Total shares of stock award granted	123,777

- (1) The performance conditions with respect to restricted stock units may be satisfied as follows:
- (a) For grants to Corporate office employees subject to 2025 performance conditions, 100% of the restricted stock units may be earned on the basis of performance as measured by a “group adjusted EBITDA”.
- (2) To the extent restricted stock units are earned, such restricted stock units will vest on the basis of service as follows:
- (a) 33% and 66.6% for Type 1 and Type 2, respectively, of the restricted stock units will vest on the first anniversary of the grant date;
- (b) 33% and 16.7% for Type 1 and Type 2, respectively, of the restricted stock units will vest on the second anniversary of the grant date; and
- (c) 34% and 16.7% for Type 1 and Type 2, respectively, of the restricted stock units will vest on the third anniversary of the grant date; provided that, in each case, the employee remains employed by the Company from the grant date through the applicable service vesting date.

- (3) To the extent restricted stock units are earned, such restricted stock units will vest on the basis of service as follows:
- (a) 100% for Type 3 of the restricted stock units will vest on the first anniversary of the grant date.

The Company also maintains the Director Deferred Share Plan (the “Director Plan”) as part of the ISAP pursuant to which it can issue restricted stock units to its non-employee directors. A restricted stock unit is equivalent to one share of the Company’s common stock, and prior to the acquisition of SOC were payable in common stock issued under the ISAP upon a director ceasing service as a member of the Company’s Board. Restricted stock units granted to directors vest over one year. Restricted stock units issued under the Director Plan contain the right to a dividend equivalent award in the form of additional restricted stock units. The dividend equivalent award is calculated using the same rate as the cash dividend paid on a share of the Company’s common stock, and then divided by the closing price of the Company’s common stock on the date the dividend is paid to determine the number of additional restricted stock units to grant. Dividend equivalent awards have the same vesting terms as the underlying awards. During the years ended December 31, 2025 and 2024, the Company granted 54,241 and 20,284 restricted stock units to its non-employee directors pursuant to the Director Plan, respectively.

As of December 31, 2025, 12,169 restricted stock units are deferred under the Company’s ISAP.

For the years ended December 31, 2025 and 2024, the Company’s stock-based compensation expense related to restricted stock units and restricted shares of common stock, which are included in the accompanying Consolidated Statements of Operations, were as follows:

	For The Year Ended December 31,	
	2025	2024
Restricted stock units	\$ 1,497	\$ 1,173
Restricted stock units-cash settled liabilities	-	107
Total	\$ 1,497	\$ 1,280

As of December 31, 2025 and 2024, the Company’s unrecognized compensation expense and the weighted average periods over which the compensation expense is expected to be recognized relating to the unvested portion of the Company’s restricted stock unit awards, were as follows:

	As of December 31,			
	2025		2024	
	Unrecognized Expense	Weighted Average Period in Years	Unrecognized Expense	Weighted Average Period in Years
Restricted stock units	\$ 1,182	0.9	\$ 1,445	0.9

Restricted Stock Units

Changes in the Company's restricted stock units arising from grants to certain employees and non-employee directors for the years ended December 31, 2025 and 2024 were as follows:

	Year Ended December 31, 2025					
	Performance-based		Time-based/Director		Total	
	Number of Shares of Restricted Stock Units	Weighted Average Grant-Date Fair Value	Number of Shares of Restricted Stock Units	Weighted Average Grant-Date Fair Value	Number of Shares of Restricted Stock Units	Weighted Average Grant-Date Fair Value
Unvested restricted stock units at January 1	55,591	\$ 17.58	128,474	\$ 14.96	184,065	\$ 15.75
Granted	48,688	\$ 13.15	129,330	\$ 9.74	178,018	\$ 10.67
SOC Grants assumed	22,717	\$ 15.17	6,046	\$ 14.07	28,763	\$ 14.94
Vested	(16,419)	\$ 24.05	(63,101)	\$ 13.90	(79,520)	\$ 16.00
Forfeited	(48,311)	\$ 14.87	(3,264)	\$ 20.97	(51,575)	\$ 15.26
Unvested restricted stock units at December 31	62,266	\$ 13.64	197,485	\$ 11.75	259,751	\$ 12.20

(a) The number of shares earned above target are based on the performance target established by the Compensation Committee at the initial grant date.

	Year Ended December 31, 2024					
	Performance-based		Time-based/Director		Total	
	Number of Shares of Restricted Stock Units	Weighted Average Grant-Date Fair Value	Number of Shares of Restricted Stock Units	Weighted Average Grant-Date Fair Value	Number of Shares of Restricted Stock Units	Weighted Average Grant-Date Fair Value
Unvested restricted stock units at January 1	95,264	\$ 23.49	80,422	\$ 16.50	175,686	\$ 20.29
Granted	47,647	\$ 14.51	103,197	\$ 15.03	150,844	\$ 14.87
Vested	(58,479)	\$ 22.40	(54,465)	\$ 17.21	(112,944)	\$ 19.90
Forfeited	(28,841)	\$ 22.27	(680)	\$ 27.16	(29,521)	\$ 22.38
Unvested restricted stock units at December 31	55,591	\$ 17.58	128,474	\$ 14.96	184,065	\$ 15.75

(a) The number of shares earned above target are based on the performance target established by the Compensation Committee at the initial grant date.

(a) The number of shares earned above target are based on the performance targets established by the Compensation Committee at the initial grant date.

The total fair value of restricted stock units vested during the years ended December 31, 2025 and 2024 were as follows:

	For The Year Ended December 31,	
	2025	2024
Fair value of restricted stock units vested	\$ 1,112	\$ 1,693

NOTE 7 - INCOME TAXES**Income Tax Provision**

The domestic and foreign components of net income before provision for income taxes is as follows:

	Year ended December 31,	
	2025	2024
Domestic	\$ (3,725)	\$ (31,531)
Foreign	(131)	28,061
(Loss) income before provision for income taxes	<u>\$ (3,856)</u>	<u>\$ (3,470)</u>

The components of the provision for (benefit from) income taxes are as follows:

	Year ended December 31,	
	2025	2024
Current tax provision (benefit):		
U.S. Federal	\$ -	\$ -
State and local	31	(15)
Foreign	1,088	783
Total current provision for (benefit from) income taxes	<u>1,119</u>	<u>768</u>
Deferred tax provision (benefit):		
U.S. Federal	-	-
State and local	-	-
Foreign	942	532
Total deferred provision (benefit) from income taxes	<u>942</u>	<u>532</u>
Total provision for income taxes	<u>\$ 2,061</u>	<u>\$ 1,300</u>

	Year ended December 31,	
	2025	
Income taxes paid:		
U.S. Federal	\$	95
State and local		163
Foreign		
Australia		1,233
U.K.		233
India		134
Other		37
Total Foreign		<u>1,637</u>
Total income taxes paid	\$	<u>1,895</u>

Tax Rate Reconciliation

The effective tax rate ("ETR") for the year ended December 31, 2025 was negative 53.4%, compared to negative 37.5% for 2024. For the year ended December 31, 2025, the effective tax rates differed from the U.S. federal statutory rate of 21% primarily due to pre-tax losses for which no tax benefit can be recognized, changes in valuation allowances in the U.S. and certain foreign jurisdictions that reduce or eliminate the ETR on current year profits or losses, foreign tax rate differences, and non-deductible expenses. For the year ended December 31, 2024, the effective tax rates differed from the U.S. federal statutory rate of 21% primarily due to pre-tax losses for which no tax benefit can be recognized, changes in valuation allowances in the U.S., China, and certain foreign jurisdictions that reduce or eliminate the ETR on current year profits or losses, foreign tax rate differences, and non-deductible expenses. The current year ETR differs significantly from the prior year ETR primarily due to the interaction of similar rate reconciliation items, including change in valuation allowance, combined with a shift in the geographic mix of earnings toward higher-tax jurisdictions, including Australia.

The following is a reconciliation of the effective tax rate for the year ended December 31, 2025 to the U.S. federal statutory rate of 21%:

	Year ended December 31, 2025	
	Amount	Percent
US federal statutory income tax rate	\$ (810)	21.0%
Domestic federal		
Nontaxable and nondeductible items		
Nondeductible employee compensation	151	(3.9)%
Nondeductible professional fees	471	(12.2)%
Nondeductible share based compensation	376	(9.7)%
Other	149	(3.9)%
Changes in valuation allowance	(9,188)	238.2%
Operating losses expired	8,833	(229.0)%
Domestic state and local income taxes, net of federal effect ¹	32	(0.8)%
Foreign tax effects		
United Arab Emirates		
Changes in valuation allowance	329	(8.5)%
Australia		
Statutory income tax rate differential	385	(10.0)%
Noncreditable withholding tax	41	(1.1)%
United Kingdom		
Deferred investment impairment true-up and NOL carryback	1,111	(28.8)%
Other	13	(0.3)%
Other foreign jurisdictions	162	(4.2)%
Worldwide changes in unrecognized tax benefits	6	(0.2)%
Provision for income taxes	\$ 2,061	(53.4)%

1. State and local income taxes in Pennsylvania and Texas comprise the majority of the domestic state and local income taxes, net of federal effect category.

The following is a reconciliation of the effective tax rate for the year ended December 31, 2024 to the U.S. federal statutory rate of 21%:

	Year ended December 31, 2024
Provision at federal statutory rates	\$ (729)
State income taxes, net of federal benefit	1,133
Change in valuation allowance	6,817
Taxes related to foreign income	(1,506)
Non-deductible expenses	(4,943)
Uncertain tax positions	6
Prior period adjustments	395
Permanent differences and other	127
Provision for income taxes	\$ 1,300

Deferred Taxes Assets (Liabilities)

Deferred income taxes are provided for the tax effect of temporary differences between the financial reporting basis and the tax basis of assets and liabilities. Net deferred tax assets have been reported as non-current in the accompanying Consolidated Balance Sheets. Significant temporary differences at December 31, 2025 and 2024 are as follows:

	As of December 31,	
	2025	2024
Deferred tax assets (liabilities):		
Allowance for expected credit losses	\$ 89	\$ 108
Property and equipment	(7,383)	(170)
Goodwill and intangibles	4,863	714
Accrued compensation	1,417	1,786
Accrued liabilities and other	4,607	29
Loss carryforwards	65,855	73,672
Deferred tax assets before valuation allowance	69,448	76,139
Valuation allowance	(67,537)	(73,491)
Deferred tax assets, net of valuation allowance	\$ 1,911	\$ 2,648

As a result of the enactment of the Tax Act, the Company has provided tax on GILTI, and therefore, future repatriations of previously unremitted foreign earnings are expected to either be exempt from U.S. taxation or offset by net operating losses ("NOLs"). The Company has not provided any withholding tax with respect to unremitted foreign earnings at December 31, 2025 and December 31, 2024.

On July 4, 2025, the One Big Beautiful Bill (OBBB) Act, which includes a broad range of tax reform provisions, was signed into law in the United States. The OBBB Act did not have a material impact on our annual effective tax rate in 2025 and we do not expect it to have a material impact in 2026.

Net Operating Losses ("NOLs"), Capital Losses, and Valuation Allowance

At December 31, 2025, the Company had losses for U.S. federal and state tax purposes of approximately \$239,961 consisting of U.S. federal and state NOLs incurred through December 31, 2025 of \$215,405 and U.S. federal and state capital losses of \$24,556 as a result of the HEBV liquidation. U.S. federal NOLs incurred through December 31, 2017 expire at various dates through 2037 with \$22,867 scheduled to expire during 2025. U.S. federal and State NOLs incurred in or after 2018 have an indefinite carryforward period, which can be offset by 80% of future taxable income in any given year. U.S. federal and state capital losses incurred in 2024 will expire after five years during 2029.

The Company's utilization of U.S. NOLs is subject to an annual limitation imposed by Section 382 of the Internal Revenue Code ("IRC"), which may limit our ability to utilize all the existing NOLs before the expiration dates.

Based upon IRC Section 382 studies prepared by the Company, Section 382 ownership changes have occurred that will result in \$224,124 of the Company's federal and state NOLs generated through December 2006 and recognized built-in losses during the five-year period after December 2006 being subject to IRC Section 382 limitations. As a result of IRC Section 382 limitations, \$22,131 of the \$224,124 NOLs that are limited are expected to expire prior to utilization specifically as a result of the IRC Section 382 cumulative annual limitations.

In addition, based upon an IRC Section 382 study prepared by Star Operating Companies Inc (SOC), a Section 382 ownership change occurred due to the merger which will result in \$82,338 of SOC's federal and State NOLs generated through August 2025 and recognized built-in losses during the five-year period after August 2025 being subject to IRC Section 382 limitations. As a result of IRC Section 382 limitations, \$68,350 of the \$82,338 that are limited are expected to expire prior to utilization specifically as a result of the IRC Section 382 cumulative annual limitations.

Accordingly, the U.S. federal and state NOLs of \$239,961, as indicated above, excluded the \$90,481 of tax losses expected to expire prior to utilization due to IRC Section 382 cumulative annual limitations and the deferred tax asset for loss carryforwards of \$61,759 also excluded \$23,428 of related tax benefits.

As of December 31, 2025, certain international subsidiaries had NOLs for local tax purposes of \$19,588. With the exception of \$14,504 of NOLs with an indefinite carry forward period as of December 31, 2025, these losses will expire at various dates through 2026 to 2045, with \$4 scheduled to expire during 2026. The deferred tax recognized for NOLs are presented net of unrecognized tax benefits, where applicable.

ASC 740-10-30-5 requires that a valuation allowance be established when it is more likely than not that all or a portion of a deferred tax asset will not be realized. In making this assessment, management considers the level of historical taxable income, scheduled reversals of deferred tax liabilities, tax planning strategies, and projected future taxable income. As of December 31, 2025, \$63,090 of the valuation allowance relates to the deferred tax asset was comprised of NOLs for U.S. capital losses of \$5,984, U.S. federal and state NOLs of \$55,775, and foreign NOLs of \$1,331, that management has determined will more likely than not expire prior to realization. The remaining valuation allowance of \$4,447 relates to deferred tax assets on U.S. and foreign temporary differences that management estimates will not be realized due to the Company's U.S. and foreign tax losses.

Uncertain Tax Positions

A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding interest and penalties is as follows:

	2025		2024	
Balance, beginning of year	\$	60	\$	60
Additions for tax positions of current years		-		-
Additions for tax positions of prior years		-		-
Reductions for tax positions of prior years		-		-
Expiration of applicable statutes of limitations		-		-
Balance, end of year	\$	60	\$	60

The total amount of state and local and foreign unrecognized tax benefits that, if recognized, would affect the effective tax rate was \$60 as of both December 31, 2025 and December 31, 2024, exclusive of interest and penalties.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits as part of the provision for income taxes. As of December 31, 2025 and December 31, 2024, the Company had \$39 and \$33, respectively, of accrued interest and penalties associated with unrecognized tax benefits.

In many cases, the Company's unrecognized tax benefits are related to tax years that remain subject to examination by the relevant tax authorities. Tax years with NOLs remain open until such losses expire or the statutes of limitations for those years when the NOLs are used or expire. As of December 31, 2025, the Company's open tax years which remain subject to examination by the relevant tax authorities, are between 2015 and 2025, depending on the jurisdiction.

The Company believes that its unrecognized tax benefits as of December 31, 2025 are appropriately recorded for all years subject to examination above.

NOTE 8 - ACCOUNTS RECEIVABLE, NET

Accounts receivable balances are composed of trade and unbilled receivables. Unbilled accounts receivable represent revenue recorded in advance of processing formal invoices pursuant to the completion of contract provisions and, generally, become billable at contractually specified dates. Unbilled receivables of \$6,960 and \$5,925 as of December 31, 2025 and 2024, respectively, are expected to be invoiced and collected within one year. The Company records accounts receivable when its right to consideration becomes unconditional. Contract assets primarily relate to our rights to consideration for services provided that they are conditioned on satisfaction of future performance obligations. Accounts receivable, net, are stated at the amount the Company expects to collect, which is net of estimated losses resulting from the inability of its customers to make required payments.

The Company generally establishes customer credit limits and estimates the allowance for credit losses on a country or geographic basis. Customer credit limits are based upon an initial evaluation of the customer's credit quality, and we adjust that limit accordingly based upon ongoing credit assessments of the customer, including payment history and changes in credit quality. Consistent with our adoption of ASU 2016-13, effective January 1, 2023 (refer to Note 2 - Summary of Significant Accounting Policies), the allowance for expected credit losses is determined based on an assessment of past collection experience as well as consideration of current and future economic conditions and changes in our customer collection trends.

The following table summarizes the components of “Accounts receivable, net” as presented on the Consolidated Balance Sheets:

	As of December 31,	
	2025	2024
Accounts Receivable:		
Billed receivables	\$ 28,535	\$ 14,559
Unbilled receivables	6,960	5,925
Accounts Receivable, Gross	\$ 35,495	\$ 20,484
Allowance for expected credit losses	(275)	(391)
Accounts Receivable, Net	\$ 35,220	\$ 20,093

The following table summarizes the total provision for expected credit losses and write-offs:

	For The Year Ended December 31,	
	2025	2024
Beginning balance	\$ 391	\$ 378
Provision for expected credit losses	103	24
Write-offs and other	(317)	(11)
Allowance for expected credit losses, assumed from the acquisition of Star Operating Companies	98	-
Ending Balance	\$ 275	\$ 391

NOTE 9 – DEBT

A summary of debt outstanding as of December 31, 2025 is as follows:

	December 31, 2025	
	Amount	Weighted-Average Interest Rate
Revolving Credit Facility - Premier EBGL	\$ 3,969	7.25%
Revolving Credit Facility - Austin ADT	1,205	9.25%
Revolving Credit Facility - NAB	1,385	7.36%
Total Short-term Revolving Credit Facilities	6,559	7.64%
Austin - ADT Term Loan	160	9.25%
Term Loan Secured by Mortgage	354	7.50%
Bridgewater - TT Term Loan	1,400	7.85%
Total Short-term Debt	8,473	7.70%
Austin - ADT Term Loan, net of current portion	359	9.25%
Term Loan Secured by Mortgage, net of current portion	2,320	7.50%
Bridgewater - TT Term Loan, net of current portion	3,377	7.85%
Long Term Debt, net of current portion	6,056	7.80%
Total Debt	\$ 14,529	7.74%

Austin Loan Agreement

On March 3, 2025, ADT entered into a Loan and Security Agreement (the “Austin Loan Agreement”) with Austin Financial Services, Inc. (“Austin” or “AFS”) providing ADT with a working capital line of credit of up to \$3,000 and a term loan originally proposed of up to \$800, subject to the conditions and procedures set forth in the Austin Loan Agreement. Availability under the Austin Loan Agreement is based on a formula tied to ADT’s eligible accounts receivable, inventory, and equipment, and borrowings bear interest at the prime rate plus 1.75%, with interest payable monthly and the outstanding principal balance payable March 3, 2028 (the “Maturity Date”). Based on AFS’s appraisal of ADT’s machinery and equipment, AFS reduced the term loan commitment to \$638. The Austin Loan Agreement also provides for certain fees payable to Austin during its term. The term loan payment is approximately \$13 per month. The loan is secured by substantially all of the assets of ADT and is subject to certain covenants. Under the terms of the AFS loan agreement, ADT is required to provide various financial and collateral reports to the lender on a regular basis. These reports include weekly availability and cash activity summaries, monthly accounts receivable and accounts payable aging, inventory reports, balance sheets, and income statements, as well as annual financial statements reviewed by an independent CPA, if requested. ADT must also provide any additional financial or operational information upon the lender’s request.

There are no specific financial covenants related to ratios, thresholds, or performance metrics under the AFS facility. However, failure to timely submit the required financial reports constitutes an event of default under the loan agreement.

Premier Facility

On August 16, 2023, EdgeBuilder and Glenbrook (referred to herein as the “EBGL Borrowers”), entered into a Revolving Credit Loan Agreement with Premier Bank (“Premier”), which was subsequently amended on December 5, 2023 to provide the EBGL Borrowers with a working capital line of credit of up to \$6,000 (the “Premier Loan Agreement”). Availability under the Premier Loan Agreement is based on a formula tied to the EBGL Borrowers’ eligible accounts receivable, inventory, and equipment. Borrowings under the Premier Loan Agreement bear interest at the Wall Street Journal Prime rate plus 0.50% (and a minimum interest rate of 6.75%), 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 expired on December 05, 2024 but may be extended from time to time at the request of the EBGL Borrowers, subject to approval by Premier. The term of the Premier Loan Agreement has been extended to December 05, 2026. The EBGL Borrowers’ obligations under the Premier Loan Agreement are guaranteed by the Company and secured by all of their inventory, equipment, accounts receivable, and other intangibles. As of December 31, 2025, availability under the Premier Loan Agreement was approximately \$1,813. Premier holds \$600 of the Company’s restricted cash associated with the Premier Facility.

Financial covenants associated with the Premier Loan Agreement require that the EBGL Borrowers annually maintain (a) a debt service coverage ratio for any calendar year of greater than 1.25; (b) a debt-to-equity ratio at the end of each calendar year less than 1.65; (c) a fixed charge coverage ratio at the end of each calendar year of greater than 1.10; (d) working capital of at least \$2 million; and (e) a current ratio of at least 1.50. As of December 31, 2025 the EBGL Borrowers were in compliance with all Premier Loan Agreement covenants except the debt-to-equity covenant, which was impacted by the August 22, 2025 Merger Agreement.

KeyBank Facility

On April 24, 2024, KBS entered into a Loan and Security Agreement (the “KeyBank Loan Agreement”) with KeyBank National Association (“KeyBank”) providing KBS with a working capital line of credit of up to \$4.0 million, subject to the conditions and procedures set forth in the KeyBank Loan Agreement. All borrowings under the KeyBank Loan Agreement bear interest at the Adjusted Daily SOFR Rate (as defined in the KeyBank Loan Agreement) plus 3%, with interest payable monthly and the outstanding principal balance payable on April 30, 2025 (the “Maturity Date”). The KeyBank Loan Agreement expires on the Maturity Date but may be extended from time to time at the request of KBS, subject to approval by KeyBank. SOC signed an extension on July 29, 2025 extending the Maturity Date to July 29, 2026. The KeyBank Loan Agreement also provides for certain fees payable to KeyBank. KBS’ obligations under the KeyBank Loan Agreement are guaranteed by SOC and secured by all of KBS’ inventory, equipment, accounts and other intangibles, if applicable, and all proceeds of the foregoing. Simultaneous with the execution of the KeyBank Loan Agreement, SOC entered into that certain Guaranty, dated April 24, 2024 (the “Guaranty”), pursuant to which SOC agreed to guarantee all amounts borrowed by KBS under the KeyBank Loan Agreement.

A financial covenant associated with KeyBank Loan Agreement requires that KBS maintains a ratio of its Operating Cash Flow to its Total Fixed Charges of at least 1.25 to 1.00 measured quarterly (the “FCCR Covenant”). As of December 31, 2025, KBS was in compliance with the FCCR covenant. The balance outstanding under the line was \$0 as of December 31, 2025.

Term Loan Secured by Mortgage

On June 28, 2024, in connection with SOC’s acquisition of substantially all of the assets used in the business of Timber Technologies, Inc. which closed on May 17, 2024, Timber Properties, LLC (“Timber Properties”), an affiliate of the Seller, sold to 106 Bremer, LLC, a wholly owned subsidiary of the Company (“106 Bremer”), all of Timber Properties’ Owned Real Property pursuant to a Real Estate Sales Agreement for \$3,000 plus closing costs.

In connection with the purchase of the Owned Real Property, on June 28, 2024, 106 Bremer issued a Promissory Note in the principal amount of \$3,000 (the “TT Property Note”) secured by a Mortgage (the “TT Property Mortgage”) on the Owned Real Property to Timber Properties. All borrowings under the TT Property Note bear interest at 7.50%, with interest payable quarterly and the outstanding principal balance payable on June 29, 2034.

Bridgewater Facility

In connection with the completion of the TT Acquisition, on May 17, 2024, Timber Technologies Solutions, Inc., a wholly owned subsidiary of SOC, (the “Borrower”), entered into a Loan Agreement (the “Bridgewater Loan Agreement”) with Bridgewater Bank (“Bridgewater”) and issued a Term Promissory Note to Bridgewater in the amount of \$7,000 thereunder (the “Facility”). All borrowings under the Facility bear interest at 7.85%, with interest payable monthly and the outstanding principal balance payable on May 20, 2029 (the “Maturity Date”). The Bridgewater Loan Agreement also provides for certain fees payable to Bridgewater during its term. The Borrower’s obligations under the Facility are guaranteed by the Company and secured by all of the Borrower’s inventory, equipment, accounts receivable, and other intangibles.

In connection with the Bridgewater Loan agreement, an amount of \$1,000 was required to be deposited with Bridgewater and be under the sole dominion and control of Bridgewater, and SOC shall not have any control over the use of, or any right to withdraw any amount of the restricted deposit. In the event that SOC maintains compliance with all of the financial covenants set forth in the Bridgewater Loan Agreement for four consecutive measurement dates, Bridgewater shall release a portion of the deposit. As of December 31, 2025 Bridgewater released \$500. The remaining \$500 deposit is recorded in Restricted cash-non current in the Consolidated Balance Sheets.

Financial covenants require that TT maintain (i) a ratio of Cash Flow to Total Fixed Charges of not less than 1.30 to 1.00 as measured on each applicable Measurement Date on a trailing twelve (12) month basis; (ii) maintain a ratio of Senior Funded Debt to trailing twelve (12) month Adjusted EBITDA not to exceed 3.00 to 1.00 as measured on each applicable Measurement Date for a Measurement Period; (iii) maintain a ratio of Total Funded Debt to trailing twelve (12) month adjusted EBITDA not to exceed 4.00 to 1.00 as measured on each applicable Measurement Date for a Measurement Period. TT was in compliance with its covenants as of December 31, 2025.

Invoice Finance Credit Facility

On April 8, 2019, the Business Services segment’s Australian subsidiary (“Australian Borrower”) entered into an invoice finance credit facility agreement (the “NAB Facility Agreement”) with National Australia Bank Limited (“NAB”). The NAB Facility Agreement provides the Australian Borrower with the ability to borrow funds based on a percentage of eligible trade receivables up to a maximum of 4 million Australian dollars. No receivables have terms greater than 90 days, and any risk of loss is retained by the Australian Borrower. The interest rate is calculated as the variable receivable finance indicator rate, plus a margin of 1.60% per annum. Borrowings under this facility are secured by substantially all of the assets of the Australian Borrower. The NAB Facility Agreement does not have a stated maturity date and can be terminated by either the Australian Borrower or NAB upon 90 days written notice. As of December 31, 2025, there were no amounts outstanding under the NAB Facility Agreement. Interest expense and fees incurred on the NAB Facility Agreement were \$32 and \$17 for the years ended December 31, 2025 and 2024, respectively.

The NAB Facility Agreement contains various restrictions and covenants for the Australian Borrower including (1) that EBITDA must be at least two times total interest paid on debt on a 12-month rolling basis; (2) minimum tangible net worth must be at least 2.5 million Australian dollars and be equal to at least 25% of total tangible assets on June 30 and December 31 (as defined in the NAB Facility Agreement); and (3) additional periodic reporting requirements to NAB. The Australian Borrower was in compliance with all financial covenants under the NAB Facility Agreement as of December 31, 2025.

Amounts borrowed from the NAB Facility may be large, contain short maturities and have quick turnovers. Amounts borrowed and repaid are presented on a net basis on the Consolidated Statements of Cash Flows.

On May 25, 2022, Hudson Global Resources (Singapore) Pte. Ltd. (“Singapore Borrower”), which the Company acquired on October 31, 2023, and the Hong Kong and Shanghai Banking Corporation Limited (“HSBC”), entered into an invoice finance credit facility agreement (the “HSBC Facility Agreement”). The HSBC Facility Agreement allows the Singapore Borrower to borrow funds up to a maximum of 1 million Singapore dollars, based on a percentage of eligible trade receivables. All receivables have a term of no more than 60 days, and any risk of loss is borne by the Singapore Borrower. The interest rate is calculated as the bank’s external cost of capital, plus a margin of 3.5% per annum. The Company ended the HSBC Facility Agreement in May 2024. As a result, no interest expense or fees were incurred during the year ended December 31, 2025. Interest expense and fees incurred on the HSBC Facility Agreement were \$6 for the year ended December 31, 2024.

NOTE 10- GOODWILL AND INTANGIBLE ASSETS

Goodwill

For the years ended December 31, 2025 and 2024, the changes in carrying amount of goodwill were as follows:

	Carrying Value	
	2025	2024
Goodwill, January 1	\$ 5,703	\$ 5,749
Acquisition	242	-
Currency translation	(1)	(46)
Goodwill, December 31	\$ 5,944	\$ 5,703

On October 1, 2025, the Company applied ASC 350, and performed quantitative assessments to determine whether it was more likely than not that the fair value of its reporting units was less than their carrying values. To estimate the fair value of these reporting units, the Company used both an income approach and a market approach. The income approach required management to make significant estimates and judgments regarding future cash flows that were 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 required the use of multiples based on financial metrics for both acquisitions and peer group companies. The Company did not recognize any impairment of goodwill related to these acquisitions. At the conclusion of its assessment, the Company determined the fair value of the reporting units exceeded their carrying values. As such, the Company determined that no impairment of goodwill had taken place as of December 31, 2025.

Intangible Assets

For the years ended December 31, 2025 and 2024, the Company’s intangible assets consisted of the following components:

	Weighted Average Remaining Amortization Useful Lives (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
2025				
Non-compete agreements	2.7	\$ 147	\$ (133)	\$ 14
Trade name	5.4	1,662	(933)	729
Customer lists	1.8	4,017	(3,072)	945
Developed technology	-	657	(657)	-
		\$ 6,483	\$ (4,795)	\$ 1,688
	Weighted Average Remaining Amortization Useful Lives (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
2024				
Non-compete agreements	2.9	\$ 145	\$ (116)	\$ 29
Trade name	6.1	1,634	(731)	903
Customer lists	2.6	3,952	(2,399)	1,553
Developed technology	1.0	657	(651)	6
		\$ 6,388	\$ (3,897)	\$ 2,491

Amortization expense for the years ended December 31, 2025 and 2024 was \$901 and \$1,126, respectively. Intangible assets are amortized on a straight-line basis over their estimated useful lives. No impairment in the value of amortizable intangible assets was recognized during the years ended December 31, 2025 or 2024.

Estimated future amortization expense for intangible assets for the remainder of the fiscal year ending December 31, 2025, and for each of the next fiscal years are as follows:

2026	\$	680
2027		575
2028		131
2029		110
2030		110
Thereafter		82
	\$	<u>1,688</u>

The change in the book value of amortizable intangible assets is as follows:

	January 1, 2025 Beginning Balance	Acquisition	Amortization	Translation and Other	December 31, 2025 Ending Balance
Non-compete agreements	\$ 29	\$ 2	\$ (18)	\$ 1	\$ 14
Trade name	903	27	(203)	2	729
Customer lists	1,553	66	(674)	-	945
Developed technology	6	-	(6)	-	-
	<u>\$ 2,491</u>	<u>\$ 95</u>	<u>\$ (901)</u>	<u>\$ 3</u>	<u>\$ 1,688</u>

	January 1, 2024 Beginning Balance	Acquisition	Amortization	Translation and Other	December 31, 2024 Ending Balance
Non-compete agreements	\$ 49	\$ -	\$ (18)	\$ (2)	\$ 29
Trade name	1,123	-	(216)	(4)	903
Customer lists	2,267	-	(709)	(5)	1,553
Developed technology	189	-	(183)	-	6
	<u>\$ 3,628</u>	<u>\$ -</u>	<u>\$ (1,126)</u>	<u>\$ (11)</u>	<u>\$ 2,491</u>

NOTE 11 - 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 20 years. Some of the leases include options to extend the leases and some include options to terminate the lease within 1 year. Operating leases and finance leases are included separately in the Consolidated Balance Sheets.

The components of lease expense are as follows:

	Year Ended December 31,	
	2025	2024
Operating lease cost	\$ 1,531	\$ 1,303
Finance lease cost:		
Amortization of finance lease assets	\$ 19	\$ -
Total finance lease cost	<u>\$ 19</u>	<u>\$ -</u>

Supplemental cash flow information related to leases was as follows:

	Year Ended December 31,	
	2025	2024
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 1,144	\$ 809
Financing cash flows from finance leases	\$ 8	N/A
Right-of-use assets obtained in exchange for lease obligations		
Operating leases	\$ 3,112	\$ 416

Supplemental balance sheet information related to leases was as follows:

	December 31, 2025	December 31, 2024
Weighted average remaining lease term (in years)		
Operating leases	13.8	2.5
Finance leases	0.9	N/A
Weighted average discount rate		
Operating leases	12.80%	8.50%
Finance leases	5.76%	N/A

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, 2025 were as follows:

	Operating Leases	Finance Leases
2026	\$ 2,041	\$ 16
2027	2,058	2
2028	1,797	-
2029	1,799	-
2030 and thereafter	20,296	-
Total future minimum lease payments	27,991	18
Less amounts representing interest	(16,118)	(1)
Present value of lease obligations	<u>\$ 11,873</u>	<u>\$ 17</u>

NOTE 12 - FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board's authoritative guidance for fair value measurements establishes a three-level hierarchy based upon the inputs to the valuation model of an asset or liability. 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 and liabilities that were recorded at fair value as of December 31, 2025:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Fair Value as of December 31, 2025			
	Level 1	Level 2	Level 3	Total
Assets (Liabilities):				
Equity securities	\$ 3,767	\$ -	\$ -	\$ 3,767
Total	<u>\$ 3,767</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,767</u>

The table below presents a reconciliation for Level 3 liabilities for the period ended December 31, 2025. The Level 3 liabilities consist of an earnout liability associated with SOC's acquisition of Big Lake Lumber ("BLL") in 2023. The change in the Level 3 liability during the period was primarily due to payments made on accruals. These changes are included in "Purchases, issuances, and settlements (net)" in the Level 3 rollforward below.

	2025
Acquisition value at August 22, 2025	\$ 201
Net reductions (payments)	(201)
Balance as at December 31, 2025	<u>\$ -</u>

Assets and Liabilities Measured at Fair Value on a Non-recurring Basis

Certain assets acquired and liabilities assumed in connection with the SOC acquisition were measured at fair value on a nonrecurring basis as of the acquisition date.

Additional information regarding the valuation methodologies and assumptions used in determining these fair values is included in Note 5 - Acquisitions, which presents the allocation of purchase consideration and related fair value measurements required under ASC 805, Business Combinations.

No other assets or liabilities were measured at fair value on a nonrecurring basis during the period

Equity Securities

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, 2025, and is recorded in "Investments in equity securities" in the Consolidated Balance Sheet.

Gains and losses from investments in equity securities are recorded in other income (expense) in the Consolidated Statements of Operations and included the following for the period ended December 31, 2025.

	Year Ended December 31, 2025
Unrealized loss on equity securities	\$ (390)
Unrealized gain on equity securities	241
Realized gain on equity securities	11
Total loss on equity securities	<u>\$ (138)</u>

Lumber Derivative Contracts

We may enter into lumber derivative contracts in order to protect our gross profit margins from fluctuations caused by lumber price volatility. Such contracts, which are generally entered into to protect the gross margins on our wall panel contracts at EdgeBuilder and Glenbrook Building Supply, Inc. (“Glenbrook” and referred to jointly with EdgeBuilder as “EBGL”), are recorded within current assets or liabilities in the Consolidated Balance Sheets. As of December 31, 2025, we did not have any lumber derivatives contracts open.

Gains and losses from lumber derivative contracts are recorded in the cost of revenues in the Consolidated Statements of Operations and included the following for the period ended December 31, 2025:

	Year Ended December 31, 2025
Realized loss on lumber derivatives	\$ (68)
Total loss on lumber derivatives	<u>\$ (68)</u>

NOTE 13 - NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS

A reconciliation of the numerators and denominators of the basic and diluted loss per share calculations were as follows:

	For The Year Ended December 31,	
	2025	2024
Loss per share attributable to common shareholders (“EPS”):		
Basic	\$ (2.08)	\$ (1.59)
Diluted	\$ (2.08)	\$ (1.59)
EPS numerator - basic and diluted:		
Net loss attributable to common shareholders	\$ (6,657)	\$ (4,770)
EPS denominator (in thousands):		
Weighted average common stock outstanding - basic	3,198	3,000
Common stock equivalents: stock options and restricted stock units	(a) -	(a) -
Weighted average number of common stock outstanding - diluted	<u>3,198</u>	<u>3,000</u>

(a) The diluted weighted average number of shares of common stock outstanding did not differ from the basic weighted average number of shares of common stock outstanding because the effects of any potential common stock equivalents (see Note 7 to the Consolidated Financial Statements for further details on unvested restricted stock units) were anti-dilutive and therefore not included in the calculation of the denominator of dilutive earnings per share.

NOTE 14 - STOCKHOLDERS' EQUITY

Common Stock

On August 8, 2023, the Company’s Board of Directors authorized a share repurchase program for up to \$5,000 of the Company’s outstanding common stock. The Company continues to view share repurchases as an attractive use of capital and may repurchase shares from time to time, as market conditions warrant, through open market purchases, privately negotiated transactions, block trades, or other methods, in accordance with applicable federal securities laws, including Rule 10b-18 of the Securities Exchange Act of 1934 (the “Exchange Act”). This authorization does not expire.

During the year ended December 31, 2025, the Company completed its \$5,000 share repurchase program authorized on August 8, 2023. On September 10, 2025, the Board of Directors authorized a new common stock repurchase program under which the Company may repurchase up to \$3,000 of its outstanding common stock. During the year ended December 31, 2025, the Company repurchased a total of 280,886 shares of its common stock for an aggregate cost of \$2,638 under these authorizations. Of this total, 261,052 shares were repurchased on September 25, 2025, in connection with a transaction with a certain shareholder totaling \$2,441, and the remaining 19,834 shares were repurchased on the open market for a cost of \$197. As of December 31, 2025, under the July 30, 2015, August 8, 2023 and September 10, 2025 authorizations combined, the Company had repurchased an aggregate of 948,382 shares for a total cost of \$15,520, completing the August 8, 2023 authorization and leaving \$2,481 available for purchase under the September 10, 2025 authorization. During the year ended December 31, 2024 the Company repurchased a total of 154,084 shares of its common stock for a cost of \$2,495 under this authorization. Of these shares, 44,250 shares were repurchased on January 29, 2024 in connection with a transaction with a certain shareholder totaling \$655 that excludes tax withholdings. The Company also repurchased 69,567 shares during the second quarter in connection with transactions with certain shareholders totaling \$1,181, as well as 40,267 shares of its common stock on the open market for a cost of \$659.

The Company cannot predict when or if it will repurchase any shares of common stock as such stock repurchase program will depend on a number of factors, including constraints specified in any Rule 10b5-1 trading plans, price, general business and market conditions, and alternative investment opportunities. Information regarding share repurchases will be available in the Company's periodic reports on Form 10-Q and 10-K filed with the Securities and Exchange Commission as required by the applicable rules of the Exchange Act.

Warrants

As a result of the Merger, outstanding warrants of SOC were converted to rights to receive common shares of the Company, in accordance with Section 3(d) of the Form of 2022 SOC Warrant Certificate. As of December 31, 2025, there were 10.9 million warrants outstanding, none of which are prefunded, which represents 0.5 million shares of common stock equivalents, at an exercise price of \$32.61. For every 1 warrant, 0.046 of a common share shall be issued. These warrants will expire in January 2027.

As of December 31, 2025, there were 10,925,000 warrants outstanding, which represents 502,550 shares of common stock equivalents.

NOTE 15 - PERPETUAL PREFERRED STOCK

Upon the Effective Time of the Merger, pursuant to the terms of the Merger Agreement, we issued 2,690,637 shares of our Series A Preferred Stock. Holders of shares of our Series A 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% per annum of the liquidation preference of \$10 per share. Dividends are payable quarterly, in arrears, by the last calendar day of March, June, September and December to holders of record at the close of business on the first day of each payment month. The Series A Preferred Stock is not convertible and does not have any voting rights, except when dividends are in arrears for 6 or more consecutive quarters, then the holders of those shares together with holders of all other series of preferred stock equal in rank would be entitled to vote separately as a class for the election of 2 additional directors to board of directors, until all dividends accumulated on such shares of Series A Preferred Stock for the past dividend periods and the dividend for the current dividend period shall have been fully paid or declared and a sum sufficient for the payment thereof set apart for payment. The Series A Preferred Stock is not subject to redemption by the Company.

On August 22, 2025, we announced that our board of directors declared a cash dividend to holders of our Series A Preferred Stock of \$0.025 per share for an aggregate amount of approximately \$67. The record date for this dividend was September 1, 2025, and the payment date was September 10, 2025. On November 14, 2025, we announced that our board of directors declared a cash dividend to holders of our Series A Preferred Stock of \$0.25 per share for an aggregate amount of approximately \$673. The record date for this dividend was December 1, 2025, and the payment date was December 10, 2025. As of December 31, 2025, we are current on our preferred dividend payments.

On February 13, 2026, Star announced that its Board of Directors declared a cash dividend to holders of the Company's Preferred Stock of \$0.25 per share, which represents a subsequent event occurring after the balance sheet date and is not reflected as a liability as of December 31, 2025. The record date for this dividend is March 1, 2026, and the payment date is March 10, 2026.

NOTE 16 - STOCKHOLDER RIGHTS PLAN

On October 15, 2018, the Company's Board of Directors declared a dividend to the Company's stockholders of record as of the close of business on October 25, 2018 (the "Record Date"), for each outstanding share of the Company's common stock, of one right (a "Right") to purchase one one-hundredth 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 Agreement, dated as of October 15, 2018 (as amended, the "Rights Agreement"), by and between the Company and Computershare Trust Company, N.A., as rights agent (the "Rights Agent"). The Company's stockholders approved the Rights Agreement at the Company's 2019 Annual Meeting of Stockholders held on May 6, 2019. On September 28, 2021, the Company and the Rights Agent entered into a First Amendment to Rights Agreement (the "Amendment") that amended the Rights Agreement to extend its term through October 15, 2024. The amendment was approved by the Board on September 28, 2021, subject to stockholder approval, and the Company's stockholders approved the Amendment at the Company's 2022 Annual Meeting of Stockholders held on May 17, 2022. The Board of Directors has taken further action to amend the Original Rights Agreement, as amended by the First Amendment, to extend the expiration of the Rights Agreement to October 15, 2027, as contemplated in the Second Amendment to Rights Agreement (the "Second Amendment"). The Second Amendment was approved by the Board on June 13, 2024, subject to stockholder approval, and the Company's stockholders approved the Amendment at the Company's 2024 Annual Meeting of Stockholders held on July 31, 2024.

Each Right allows its holder to purchase from the Company one one-hundredth of a share of the Company's Series B Junior Participating Preferred Stock ("Series B Preferred Stock") for a purchase price of \$3.50. Each fractional share of Series B Preferred Stock would give the stockholder approximately the same dividend, voting and liquidation rights as does one share of common stock. Prior to exercise, however, a Right does not give its holder any dividend, voting or liquidation rights.

The Board entered into the Rights Agreement in an effort to preserve the value of the Company's significant U.S. 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 Internal Revenue Code of 1986, as amended (the "Code"). In general, an "ownership change" would occur if the percentage of the Company's ownership by one or more "5-percent shareholders" (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 Agreement 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 of the Code.

In general terms, the Rights Agreement imposes a significant penalty upon any person or group that acquires beneficial ownership (as defined under the Rights Agreement) of 4.99% or more of the outstanding common stock without the prior approval of the Board (an "Acquiring Person"). Any Rights held by an Acquiring Person are void and may not be exercised.

The Rights will not be exercisable until the earlier of (i) 10 days after a public announcement by the Company that a person or group has become an Acquiring Person; and (ii) 10 business days (or a later date determined by the Board) after a person or group begins a tender or an exchange offer that, if completed, would result in that person or group becoming an Acquiring Person.

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 B 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 B 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.

The Rights will expire on the earliest of (i) the close of business on October 15, 2027, 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, and (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.

The Board may redeem all (but not less than all) of the Rights for a redemption price of \$0.001 per Right at any time before the later of the Distribution Date and the date of the first public announcement or disclosure by the Company that 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 Board may adjust the purchase price of the Series B Preferred Stock, the number of shares of Series B 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 B Preferred Stock or common stock.

Before the time the Rights cease to be redeemable, the Board may amend or supplement the Rights Agreement without the consent of the holders of the Rights, except that no amendment may decrease the redemption price below \$0.001 per Right.

The Company also has a provision in its Amended and Restated Certificate of Incorporation which generally prohibits transfers of its common stock that could result in an ownership change.

NOTE 17 - SEGMENT AND GEOGRAPHIC DATA

Segment Reporting

Corporate expenses are reported separately for the four reportable segments and pertain to certain functions, such as executive management, corporate governance, investor relations, legal, accounting, tax, and treasury. A portion of these expenses are attributed to the reportable segments for providing the above services to them, and have been allocated to the segments as management service expenses, and are included in the segments’ non-operating other income (expense). We have disclosed for each reportable segment the significant expense that is reviewed by CODM in the tables below with no additional significant expenses beyond those presented. Segment information is presented in accordance with ASC 280, “Segment Reporting.” This standard is based on a management approach that requires segmentation based upon the Company’s internal organization and disclosure of revenue and certain expenses based upon internal accounting methods. The Company’s financial reporting systems present various data for management to run the business, including internal profit and loss statements prepared on a basis not consistent with U.S. GAAP. Accounts receivable and long-lived assets are the only significant assets separated by segment for internal reporting purposes.

Our reportable segments are based upon our internal organizational structure, the manner in which our operations are managed, the criteria used by our Chief Executive Officer, who is our Chief Operating Decision Maker (“CODM”), to evaluate segment performance, the availability of separate financial information, and overall materiality considerations. Effective as of the acquisition of SOC on August 21, 2025, our businesses are organized into the following four reportable segments, reflecting the manner in which our CODM assesses performance and allocates resources:

- 1. Building Solutions
- 2. Business Services
- 3. Energy Services
- 4. Investments

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 gross profit and operating income (loss). The Company also evaluates the performance of its reportable segments using a Non-GAAP EBITDA metric, which is defined as earnings before interest, income taxes, depreciation, and amortization. In addition, certain corporate-related costs are not allocated to the segments. Our operating costs included in our shared service functions primarily consist of senior executive officers, finance, human resources, legal, and information technology. Star Equity shared service corporate costs have been separated from the reportable segments. Prior period amounts have been reclassified to conform to current year presentation.

Segment information for the year ended December 31, 2025 and 2024, respectively, is as follows:

	<u>Building Solutions</u>	<u>Business Services</u>	<u>Energy Services</u>	<u>Investments</u>	<u>Corporate and Intersegment Eliminations</u>	<u>Total</u>
<i>For the Year Ended December 31, 2025</i>						
Revenues	\$ 27,578	\$ 139,652	\$ 4,929	\$ 212	\$ (212)	\$ 172,159
Cost of revenues	<u>21,303</u>	<u>67,879</u>	<u>3,001</u>	<u>107</u>	<u>-</u>	<u>92,290</u>
Gross profit (a)	6,275	71,773	1,928	105	(212)	79,869
Salaries and related	(2,494)	(57,995)	(879)	-	(2,177)	(63,545)
Office and general	(1,592)	(6,917)	(579)	(119)	(5,636)	(14,843)
Marketing and promotion	(26)	(3,905)	(13)	-	(13)	(3,957)
Operating expenses depreciation and amortization	(135)	(1,028)	(27)	-	(22)	(1,212)
Operating income (loss)	<u>\$ 2,028</u>	<u>\$ 1,928</u>	<u>\$ 430</u>	<u>\$ (14)</u>	<u>\$ (8,060)</u>	<u>\$ (3,688)</u>
EBITDA (loss), unaudited (b)	\$ 2,439	\$ 1,385	\$ 1,016	\$ (16)	\$ (6,862)	\$ (2,038)
Total depreciation and amortization	(361)	(1,028)	(560)	(107)	(22)	(2,078)
Interest income (expense), net	(212)	(510)	(99)	283	798	260
Provision for income tax	-	(1,999)	-	-	(62)	(2,061)
Net income (loss)	<u>\$ 1,866</u>	<u>\$ (2,152)</u>	<u>\$ 357</u>	<u>\$ 160</u>	<u>\$ (6,148)</u>	<u>\$ (5,917)</u>
<i>As of December 31, 2025</i>						
Accounts receivable, net	\$ 8,671	\$ 22,398	\$ 4,045	\$ -	\$ 106	\$ 35,220
Long-lived assets, net of accumulated depreciation and amortization (c)	<u>\$ 4,320</u>	<u>\$ 7,934</u>	<u>\$ 7,235</u>	<u>\$ 6,586</u>	<u>\$ 167</u>	<u>\$ 26,242</u>
Total assets	<u>\$ 34,105</u>	<u>\$ 43,418</u>	<u>\$ 12,526</u>	<u>\$ 21,689</u>	<u>\$ 1,493</u>	<u>\$ 113,231</u>

	Business Services	Corporate and Intersegment Eliminations	Total
For the Year Ended December 31, 2024			
Revenues	\$ 140,056	\$ -	\$ 140,056
Cost of revenues	69,904	-	69,904
Gross profit (a)	70,152	-	70,152
Salaries and related	(56,943)	(1,366)	(58,309)
Office and general	(7,295)	(3,408)	(10,703)
Marketing and promotion	(3,584)	(4)	(3,588)
Operating expenses depreciation and amortization	(1,350)	(11)	(1,361)
Operating income (loss)	<u>\$ 980</u>	<u>\$ (4,789)</u>	<u>\$ (3,809)</u>
EBITDA (loss) (b)	\$ 1,119	\$ (3,588)	\$ (2,469)
Total depreciation and amortization	(1,350)	(11)	(1,361)
Interest income (expense), net	(520)	880	360
Provision for incomes taxes	(1,242)	(58)	(1,300)
Net loss	<u>\$ (1,993)</u>	<u>\$ (2,777)</u>	<u>\$ (4,770)</u>
As of December 31, 2024			
Accounts receivable, net	\$ 20,093	\$ -	\$ 20,093
Long-lived assets, net of accumulated depreciation and amortization (c)	<u>\$ 8,410</u>	<u>\$ 26</u>	<u>\$ 8,436</u>
Total assets	<u>\$ 45,273</u>	<u>\$ 7,310</u>	<u>\$ 52,583</u>

(a) Gross profit in the Business Services segment includes the direct staffing costs of salaries, payroll taxes, employee benefits, travel expenses, and insurance costs for the Company's contractors and reimbursed out-of-pocket expenses and other direct costs. The region where services are provided, the mix of RPO and contracting, and the functional nature of the staffing services provided can affect operating income and EBITDA. The salaries, commissions, payroll taxes, and employee benefits related to recruitment professionals are included under the caption "Salaries and related" in the Consolidated Statements of Operations.

(b) SEC Regulation S-K Item 229.10(e)1(ii)(A) defines EBITDA as earnings before interest, taxes, depreciation and amortization. EBITDA is presented to provide additional information to investors about the Company's operations on a basis consistent with the measures that the Company uses to manage its operations and evaluate its performance. Management also uses this measurement to evaluate working capital requirements. EBITDA should not be considered in isolation or as a substitute for operating income and net income prepared in accordance with U.S. GAAP or as a measure of the Company's profitability.

(c) Comprised of property and equipment, intangible assets and goodwill, net of accumulated depreciation and amortization.

Geographic Data Reporting

A summary of revenues for the year ended December 31, 2025 and 2024 and net assets by geographic area as of December 31, 2025 and 2024, were as follows:

	Australia	United States	United Kingdom	Other	Total
For the Year Ended December 31, 2025					
Revenue (a)	\$ 68,839	\$ 60,504	\$ 21,100	\$ 21,716	\$ 172,159
For the Year Ended December 31, 2024					
Revenue (a)	\$ 70,674	\$ 26,577	\$ 22,900	\$ 19,905	\$ 140,056
As of December 31, 2025					
Long-lived assets, net of accumulated depreciation and amortization (b)	\$ 32	\$ 24,160	\$ 35	\$ 2,015	\$ 26,242
Net assets	\$ 3,855	\$ 47,524	\$ 1,475	\$ 12,853	\$ 65,707
As of December 31, 2024					
Long-lived assets, net of accumulated depreciation and amortization (b)	\$ 20	\$ 6,667	\$ 16	\$ 1,733	\$ 8,436
Net assets	\$ 7,788	\$ 17,066	\$ 3,076	\$ 12,498	\$ 40,428

(a) Revenue by geographic region disclosed above is net of any inter-segment revenue and, therefore, represents only revenue from external customers according to the location of the operating subsidiary.

(b) Comprised of property and equipment, intangible assets and goodwill, net of accumulated depreciation and amortization.

NOTE 18 - SUPPLEMENTARY BALANCE SHEET INFORMATION

Inventories

The components of inventories are as follows:

	December 31, 2025
Raw materials	\$ 4,122
Work-in-process	536
Finished goods	2,330
Total inventories, net	<u>\$ 6,988</u>

ADT's inventory, amounting to \$1,129 as of December 31, 2025, consists of component equipment, parts and supplies which are classified as raw materials using the weighted average cost method.

Property and Equipment

Property and equipment consists of the following:

	December 31, 2025
Land	\$ 1,134
Buildings and leasehold improvements	9,070
Transportation	2,023
Machinery and equipment	12,750
Gross property and equipment	<u>24,977</u>
Accumulated depreciation	(6,367)
Total property and equipment, net	<u>\$ 18,610</u>

Depreciation expense for the year ended December 31, 2025 was \$1,177 and \$232 for the year ended December 31, 2024.

As of December 31, 2025, we held non-operating land and a building in Oxford, Maine for investment and potential future use which had a carrying value of \$1,781 and was included within property and equipment on the Consolidated Balance Sheets.

Included in machinery and equipment in the above table is rental equipment with a net book value of approximately \$4,909 as of December 31, 2025, related to our Energy Services segment.

Warranty Reserves

Within our Building Solutions 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. EdgeBuilder 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. TT provides a fifty-year limited warranty to the original buyer of its products, qualified by the original buyer's obligation to ensure that the products are properly handled, stored, and installed. Historical losses related to the Timber Technologies warranty have been insignificant and therefore no reserve has been established. Estimated future warranty costs are accrued and charged to cost of goods sold in the period that the related revenue is recognized. Within our Energy Services segment, we do not provide warranties on our products.

Notes Receivable

Notes receivable consists of the following principal and interest balances as of December 31, 2025:

	December 31, 2025
	Principal and interest
Catalyst Note	\$ 8,257
MDOS Note	596
KBS Customer Note	32
Total note receivable	<u>8,885</u>
Less current portion	256
Note receivable, net of current portion	<u>\$ 8,629</u>

As a part of the sale of Digirad Health in May 2023, SOC entered into a \$7,000 promissory note (the "Catalyst Note") which represents an unsecured note receivable on our balance sheet. The note has a maturity date of May 3, 2029 with payment-in-kind (non-cash) interest on the outstanding principal balance hereof to accrue at the Interest Rate. The full balance is scheduled to be paid at the maturity date. The Interest Rate is defined as (i) during the period from the date of issuance of the note through the third anniversary of the date of issuance of the note, a per annum rate equal to the sum of (x) 5.0% per annum plus (y) the greater of 5.0% per annum and the weighted average term SOFR-based interest rate of outstanding loans under the Senior Loan Agreement (as defined in the Purchase Agreement) during such period, and (ii) during the period following the third anniversary of the date of issuance of the note, a per annum rate equal to the sum of (x) 5.0% per annum plus (y) the greater of 7.0% per annum and the weighted average term SOFR-based interest rate of outstanding loans under the Senior Loan Agreement during such period. The Catalyst Note was adjusted to its fair value as part of the Company's acquisition of SOC.

In 2021, SOC completed the sale of MD Office Solutions in exchange for a secured promissory note (the "MDOS Note"). This note, the principal of which is approximately \$596 at December 31, 2025, is included in "Notes receivable, current portion" and "Notes receivable" in our Consolidated Balance Sheet at December 31, 2025 for \$223 and \$373, respectively. The MDOS Note requires quarterly installments of \$74 and incurs interest at a fixed rate of 5% through maturity in 2028.

In 2023, KBS issued a promissory note to a customer, incurring 12% interest per annum (the "KBS Customer Note"). The KBS Customer Note is included in "Notes receivable, current portion" in the Consolidated Balance Sheets at December 31, 2025.

The Company evaluates its notes receivable portfolio under the Current Expected Credit Loss ("CECL") model.

Long Term Investments

Below are the components of our Long Term Investments as of December 31, 2025:

	Method of Accounting	December 31, 2025
Investment in Catalyst	Cost Method	\$ 953
Total		<u>\$ 953</u>

Investment in Catalyst

As a part of the sale of Digirad Health, SOC received common equity of Catalyst Parent, which is held in our Investments segment at a fair value of \$953 at December 31, 2025. We have elected the measurement alternative under ASC 321, *Investments-Equity Securities*. The measurement alternative election allows for equity securities that do not have readily determinable fair values to be recorded at cost, with adjustments for impairment and certain observable price changes reflected in earnings. Such securities are adjusted to fair value when an observable price change occurs or impairment is identified.

Investment in Enservco

On August 9, 2024, SOC entered into an investment in Enservco pursuant to a Share Exchange Agreement in which SOC agreed to issue to Enservco 250,000 shares of 10% Series A Cumulative Perpetual Preferred Stock representing \$2,600 of value in exchange for 9,023,035 Enservco Common Shares, representing 19.9% of the equity interests of Enservco, and 3.5 million Enservco Preferred Shares and certain options included in the Share Exchange Agreement. We also issued a \$1,000 note to Enservco to facilitate Enservco's acquisition of Buckshot Trucking, LLC. The investment in Enservco had a value of zero at December 31, 2025.

Accrued Expenses and Other Liabilities

As of December 31, 2025 and 2024, the Company's accrued expenses and other current liabilities consisted of the following:

	December 31,	
	2025	2024
Sales, use, payroll taxes and income taxes	\$ 2,927	\$ 2,596
Fees for professional services	1,931	882
Other accruals	2,049	897
Total accrued expenses and other current liabilities	<u>\$ 6,907</u>	<u>\$ 4,375</u>

NOTE 19 - CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

A summary of the Company's restricted cash included in the accompanying Consolidated Balance Sheets as of December 31, 2025 and 2024 was as follows:

	As of December 31,	
	2025	2024
Cash and cash equivalents	\$ 10,269	\$ 17,011
Restricted cash, current	1,819	476
Restricted cash, non-current	1,322	180
Total cash, cash equivalents, and restricted cash	<u>\$ 13,410</u>	<u>\$ 17,667</u>

Restricted cash primarily includes lease and collateral deposits, as well as bank guarantees for licensing.

NOTE 20 - COMMITMENTS AND CONTINGENCIES

Litigation and Complaints

The Company is subject, from time to time, to various claims, lawsuits, contract disputes, and other proceedings arising in the ordinary course of business. These matters may include claims by clients, candidates, suppliers, landlords, current or former employees, and governmental or tax authorities, and may relate to regulatory compliance, employment practices (including wage and hour matters), customer or commercial disputes, product or professional liability, licensure issues, warranty matters, or intellectual property.

The Company monitors all such matters and records reserves for legal, regulatory, and other contingent liabilities when a loss is considered probable and the amount can be reasonably estimated. The Company had \$0.2 million and \$0.0 million of legal reserves as of December 31, 2025 and 2024, respectively.

Litigation and administrative proceedings are inherently uncertain, and the ultimate outcome or potential range of loss may be difficult to predict. These uncertainties may involve, among other factors, the interpretation of laws and facts by courts, the outcome of negotiations or appeals, and the performance of contractual indemnification or insurance obligations. While responding to such matters may be costly and disruptive, management currently believes that the resolution of pending or threatened proceedings will not have a material adverse effect on the Company’s financial condition, results of operations, or liquidity. However, actual outcomes could differ from current estimates due to known and unknown risks and uncertainties.

NOTE 21 - ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss, net of tax, consisted of the following:

	December 31,	
	2025	2024
Foreign currency translation adjustments	\$ (1,364)	\$ (2,717)
Accumulated other comprehensive loss	<u>\$ (1,364)</u>	<u>\$ (2,717)</u>

NOTE 22 - VALUATION RESERVES

The following table summarizes the activity in our valuation accounts during the fiscal years ended December 31, 2025 and 2024.

(in thousands)	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions and Other	Balance at End of Period
Year Ended December 31, 2025				
Allowance for Expected Credit Losses	\$ 391	\$ 103	\$ (219)	\$ 275
Deferred tax assets-valuation allowance	\$ 73,491	\$ 463	\$ (6,417)	\$ 67,537
Year Ended December 31, 2024				
Allowance for Expected Credit Losses	\$ 378	\$ 24	\$ (11)	\$ 391
Deferred tax assets-valuation allowance	\$ 183,453	\$ 456	\$ (110,418)	\$ 73,491

NOTE 23 - SUBSEQUENT EVENTS

On February 27, 2026, the Company completed a sale-leaseback transaction for its facility located at 101-107 Pasture Drive, Evanston, Wyoming (the “ADT Wyoming Property”). The property was sold to Custom Capital Strategies, Inc. (“Custom Capital”) for net cash proceeds of approximately \$1.6 million after closing costs, withholding taxes, and security deposits. Following the closing, Custom Capital assigned its rights to acquire the property to its affiliate, Pasture Drive Holdings, LLC (the “ADT Wyoming Buyer”).

In connection with the transaction, ADT, the Company’s wholly owned subsidiary, entered into a single-tenant triple-net lease with the ADT Wyoming Buyer for the ADT Wyoming Property with an initial term of 20 years, with options to extend for up to four additional five-year periods. The lease provides for an initial monthly base rent of \$12, with ADT responsible for property taxes, insurance, utilities, and other operating costs.

As of December 31, 2025, the ADT Wyoming Property had a carrying value of approximately \$1.5 million. The Company expects to recognize a gain on the sale of approximately \$0.1 million during the first quarter of 2026, which will be recorded in the consolidated statement of operations in that period. Additional information regarding this transaction is included in the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 3, 2026.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2026

This Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) should be read in conjunction with the Condensed Consolidated Financial Statements and the notes thereto, included in Part I of this Form 10-Q. The reader should also refer to the Condensed Consolidated Financial Statements and notes of Star Equity Holdings, Inc. and its subsidiaries filed in its Annual Report on Form 10-K for the year ended December 31, 2025. This MD&A contains forward-looking statements. Please see “FORWARD-LOOKING STATEMENTS” for a discussion of the uncertainties, risks and assumptions associated with these statements. This MD&A also uses the non-generally accepted accounting principle measure of earnings before interest, taxes, depreciation, and amortization (“EBITDA”). See Note 17 to the Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q for EBITDA segment reconciliation information. The tables and information in this MD&A were derived from exact numbers and may have immaterial rounding differences. All defined terms included in this MD&A for the three and six months ended June 30, 2026, shall be as defined in this discussion.

This MD&A includes the following sections:

- Executive Overview
- Results of Operations
- Liquidity and Capital Resources
- Contingencies
- Recent Accounting Pronouncements
- Critical Accounting Estimates
- Forward-Looking Statements

Executive Overview

Star Equity Holdings, Inc. (“Star,” the “Company,” “we,” “our”, formerly known as Hudson Global, Inc. (“Hudson”)) is a diversified multi-industry holding company with four segments. Our Building Solutions segment operates in the construction industry. Our Business Services segment delivers Recruitment Process Outsourcing (“RPO”) services consisting of recruitment and contracting solutions tailored to the individual needs of primarily mid-to-large multinational companies. Our Energy Services segment consists of Alliance Drilling Tools, Inc. (“ADT”). In addition, we have an Investments segment, which holds and manages certain of our corporate-owned real estate, and manages internally funded, concentrated minority investments in a small number of public companies.

Amendment to Certificate of Incorporation

On September 4, 2025, Star filed a certificate of amendment (the “Amendment”) to the Company’s Amended and Restated Certificate of Incorporation, as Amended (the “Charter”), to change the name of the Company from Hudson Global, Inc. to Star Equity Holdings, Inc. (the “Name Change”). The Name Change was approved by the Company’s Board of Directors (the “Board”) on September 2, 2025, and became effective at 12:01 a.m. (Eastern Time) on September 5, 2025.

Star-Hudson Merger

On August 22, 2025, Star completed its previously announced acquisition of Star Operating Companies, Inc. (“SOC” or “Star Operating Companies”, formerly known as Star Equity Holdings, Inc.) pursuant to the Agreement and Plan of Merger, dated as of May 21, 2025 (the “Merger Agreement”), by and among Star, SOC and HSON Merger Sub, Inc., a wholly owned subsidiary of Star (“Merger Sub”). Upon the terms and subject to the conditions of the Merger Agreement, on August 22, 2025, at the effective time of the Merger (the “Effective Time”), Merger Sub merged with and into SOC, with SOC continuing as the surviving corporation of the Merger under the name “Star Operating Companies, Inc.” as a wholly owned subsidiary of Star. Capitalized terms used herein but not defined have the meanings set forth in the Merger Agreement.

Pursuant to the terms of the Merger Agreement, at the Effective Time, (i) each share of common stock of SOC issued and outstanding immediately prior to the Effective Time (other than certain shares as set forth in the Merger Agreement) were automatically converted into the right to receive 0.23 shares of Star common stock and (ii) each share of preferred stock of SOC issued and outstanding immediately prior to the Effective Time (other than certain shares set forth in the Merger Agreement) were automatically converted into the right to receive one (1) share of Star 10% Series A Cumulative Perpetual preferred stock (“Preferred Stock”). As a result of the Merger, former SOC common stockholders received approximately 744,291 shares of Star common stock for their SOC common shares and former SOC preferred stockholders received approximately 2,690,637 shares of Star Preferred Stock. No fractional shares of Star common stock were issued in the Merger, and SOC stockholders became entitled to receive cash in lieu of fractional shares in accordance with the Merger Agreement.

In addition, pursuant to the terms of the Merger Agreement, at the Effective Time, each award of SOC restricted stock units (“RSUs”) outstanding immediately prior to the Effective Time was converted into Star RSUs issued under the Hudson Global, Inc. 2009 Incentive Stock and Awards Plan, as amended (the “Plan”), in accordance with the Merger Agreement.

Segments

Our Building Solutions segment is currently made up of the following operating businesses: KBS Builders, Inc. (“KBS”); EdgeBuilder, Inc. (“EdgeBuilder”), and Glenbrook Building Supply, Inc. (“Glenbrook”), with the latter two managed together and referred to jointly as “EBGL,” and Timber Technologies Solutions, Inc. (“TT”). KBS is based in Maine and manufactures modular buildings, typically in the single and multi-family residential segments, servicing principally the New England market. EBGL is based in the Minneapolis-Saint Paul area and principally serves the Upper Midwest region. Together, the EBGL businesses manufacture and deliver structural wall panels and other engineered wood-based products. EBGL also distributes building materials from two lumberyard locations primarily focused on professional builder customers. TT is based outside the Minneapolis-St. Paul area and manufactures glue-laminated timber products (“glulam”) for various end markets and applications, including agriculture, industrial, infrastructure, and building construction (commercial and residential).

Our Business Services segment delivers Recruitment Process Outsourcing (“RPO”) services consisting of recruitment and contracting solutions tailored to the individual needs of primarily mid-to-large multinational companies. The Company operates directly in eighteen countries with three reportable geographic business segments: the Americas, Asia Pacific, and Europe, Middle East, and Africa (“EMEA”). The Company’s RPO delivery teams utilize recruitment process methodologies and project management expertise to meet clients’ ongoing business needs. The Company’s RPO services include complete recruitment outsourcing, project-based outsourcing, contingent workforce solutions, and recruitment consulting for clients’ permanent staff hires. RPO services leverage the Company’s consultants, supported by the Company’s specialists, in the delivery of its proprietary methods to identify, select, and engage the best-fit talent for critical client roles. In addition, RPO clients receive a range of outsourced professional contract staffing services and managed service provider services offered sometimes on a standalone basis and sometimes as part of a blended total talent solution. These services draw upon a combination of specialized recruiting and project management competencies to deliver a wide range of solutions. Hudson RPO-employed professionals - either individually or as a team - are placed with client organizations for a defined period of time based on specific business needs of the client. With direct operations in eighteen countries and relationships with specialized professionals and organizations around the globe, Business Services brings a strong ability to match talent with opportunities by assessing, recruiting, developing, and engaging highly successful people for client support.

Our Energy Services segment currently consists of ADT, a Wyoming and Texas based provider of drilling tools and services to the Energy industry, a key sector of the economy. ADT is a full-service downhole drilling tool company which provides sale and rental tools in the Oil & Gas, Geothermal, Mining, and Waterwells sectors. ADT is strategically located near premier oilfields in the Rockies, a geothermal and mining hub, and in Midland, TX within the Permian Basin. ADT’s business model allows for the majority of costs, such as freight, repairs, and damages, to be passed directly to customers.

Our Investments segment holds and manages certain of our corporate-owned real estate, including a manufacturing facility in Maine that is leased to KBS and a manufacturing facility in Wisconsin that is leased to TT. The Investments segment manages internally funded, concentrated minority investments in a small number of public companies. It also holds and manages a promissory note and a private equity stake in Catalyst. SOC acquired these interests in May 2023 as a result of the sale of Digirad Health. Our Investments segment also holds an investment in Enservco Corporation consisting of an investment in Enservco Common Stock, an investment in Enservco Preferred Stock, and an investment in a call option, all of which were acquired in the third quarter of 2024 and are discussed in Note 18, *Supplementary Balance Sheet Information* to the notes to our accompanying condensed consolidated financial statements.

We continue to explore all strategic alternatives to maximize value for the Company’s stockholders, including without limitation, improving the market position and profitability of our services in the marketplace, and enhancing our valuation. We may pursue our goals through organic growth, strategic initiatives, or other alternatives. Additionally, we will continue to monitor capital markets for opportunities to repurchase shares, and consider other actions designed to enhance value to our stockholders, as well as review information regarding potential acquisitions or combinations, and provide information to third parties regarding potential dispositions of assets or business lines, from time to time. On August 14, 2026, the Company, HH Merger Sub, and Harte Hanks entered into the HH Merger Agreement providing for the HH Merger. See Note 21, Subsequent Events, within the notes to our Condensed Consolidated Financial Statements for a summary of the HH Merger Agreement.

This MD&A discusses the results of the Company’s business for the three and six months ended June 30, 2026 and 2025.

Strategy

Star Equity Holdings, Inc.

We believe our diversified multi-industry holding company structure allows Star management to focus on capital allocation, strategic leadership, mergers and acquisitions, capital markets, and investor relations, as well as management of our Investments segment. Our structure frees up our operating company management teams to focus on their respective businesses, look for organic and bolt-on growth opportunities, and improve operations with less distraction and administrative burden associated with running a public company.

We continue to explore strategic alternatives to improve our market position and the profitability of our product offerings, generate additional liquidity, and enhance our common stock valuation. We may pursue our goals through organic growth and through strategic alternatives, such as selective acquisitions of businesses, divestitures of assets or businesses, equity offerings, debt financings, or corporate restructuring.

Operating Business

We believe that our operating companies are well positioned for growth in large addressable markets. The key elements of our growth strategy include the following:

- **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 leverage the personnel, infrastructure, and brand recognition we have in these areas.
- **Introduction of new services.** In the Building Solutions segment, we will consider opportunities to augment our service offerings to better serve our customer base. We have done this in the New England market with our entry into the commercial multi-family segment. Other areas might include logistics, on-site installation, and manufacturing of sub-components.
- **Acquisition of complementary businesses.** We plan to continue to look at complementary businesses that meet our acquisition growth criteria. We believe there are many potential small public and private targets that can be acquired over time and integrated into our platform. We will also look at larger, more transformational mergers and acquisitions if we believe the appropriate mix of value, risk, and return is present for our stockholders. The timing of these potential transactions will always depend on market conditions, available capital, and valuation. 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 stockholders.

Current Market Conditions and Trends

The target customers for our Building Solutions segment include professional home builders, general contractors, project owners, developers, and design firms. Despite a higher interest rate environment, we continue to experience meaningful demand for our products; however, certain projects have been delayed as customers secure and finalize financing. We have benefited from implementing both price increases and margin protection language in our contracts, and these changes have had a positive effect on our profitability. Although we have experienced slower business activity and lower revenues this quarter, we believe this slowdown is temporary. Our sales pipelines continue to indicate strong potential demand for our services, but we can give no assurances as to our ability to compete for these opportunities, or the periods during which successfully negotiated projects will be completed.

The Modular Building Institute has estimated that permanent modular construction increased as a percentage of the construction industry from 2.14% in 2015 to 6.64% as of the end of 2023. In turn, in our Building Solutions segment, we continue to see a greater acceptance of offsite or prefab construction in single-family and multi-family residential building projects in our target markets. 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, and potential cost savings. Additionally, technological advancements including 3D modeling software and developments in engineered wood products offer greater design flexibility for higher-end applications. The need for more affordable housing solutions also presents opportunities for the continued growth of factory-built housing.

In our Business Services segment, our clients' demands for RPO and contracting services largely depend on the market conditions and the strength of the labor markets in the countries where we operate. In the first six months of 2026, the market conditions remained challenging due to persistent inflation, market uncertainty related to trade disruptions, and decreased demand for labor in certain markets. We anticipate that these challenging market conditions will continue into the second half of 2026.

In our Energy Services segment, demand for our products is closely tied to oil prices, as customer drilling activity and capital spending are influenced by prevailing market conditions. Higher and stable oil prices generally support increased drilling and tool utilization, while lower or volatile prices may reduce activity and negatively impact our revenues and operating results. The demand for our Energy Services offerings is tied in part to oil and gas prices, drilling activity, and capital expenditures by E&P companies. In June 2025, Baker Hughes reported that the total U.S. rig count was down 4% year-over-year. During the first six months of 2026, improved oil prices contributed to increased customer activity, and the segment delivered strong performance.

Economic conditions in many of the world's major markets remained uncertain throughout 2026. While inflationary pressures moderated in certain regions, elevated interest rates and tighter credit conditions continued to impact market activity. These conditions contributed to wage pressures, higher operating costs, staffing challenges, fluctuating consumer confidence, and constrained access to capital markets, each of which affected our business. In connection with this environment, some customers reduced demand for our services, and certain others temporarily deferred or permanently discontinued engagements. Ongoing macroeconomic uncertainty, including the potential for renewed inflationary pressures or changes in interest rate policy, could have material adverse effects on various aspects of our business in future periods.

Risks arising from global economic instability and conflicts, wars, and health crises could impact our business. In addition, the inflation caused by such events may impact demand for our products and services and our cost to provide products and services. Economic uncertainty has also continued to contribute to volatility in global currency markets. Fluctuations in foreign exchange rates relative to the U.S. dollar during reporting periods impact the translation of our foreign operations' results into U.S. dollars and may affect comparability of reported results.

We continue to explore all strategic alternatives to maximize value for the Company's stockholders, including without limitation, improving the market position and profitability of our services in the marketplace, and enhancing our valuation. We may pursue our goals through organic growth, strategic initiatives, or other alternatives. Additionally, we will continue to monitor capital markets for opportunities to repurchase shares, and consider other actions designed to enhance value to our stockholders, as well as review information regarding potential acquisitions or combinations, and provide information to third parties regarding potential dispositions of assets or business lines, from time to time.

Summary of Financial Performance Highlights For The Three Months Ended June 30, 2026

- Revenue was \$54.9 million for the three months ended June 30, 2026, compared to \$35.5 million for the same period in 2025, an increase of \$19.4 million, or 54.6%. The increase in revenue was principally driven by the inclusion of revenues from the Star Operating Companies acquisition, which contributed 52 percentage points to the revenue growth.
- Gross profit was \$22.8 million for the three months ended June 30, 2026, compared to \$18.6 million for the same period in 2025, an increase of \$4.2 million, or 22.3%. The increase in gross profit was driven by the acquisition of Star Operating Companies, which increased gross profit growth by 27 percentage points.
- Selling, general and administrative expenses (including salaries and related expenses) and other non-operating income (expense) ("SG&A and Non-Op") was \$24.0 million for the three months ended June 30, 2026, compared to \$18.8 million for the same period in 2025, an increase of \$5.3 million, or 28.0%. The acquisitions of our Building Solutions, Energy Services, and Investments segments collectively contributed 25 percentage points to the increase in SG&A and Non-Op.
- Net loss was \$1.8 million for the three months ended June 30, 2026, compared to net loss of \$0.7 million for the same period in 2025, an increase in net loss of \$1.2 million.
- EBITDA loss was \$0.6 million for the three months ended June 30, 2026, compared to EBITDA loss of \$0.2 million for the same period in 2025, an increase in EBITDA loss of \$0.5 million.

Summary of Financial Performance Highlights For The Six Months Ended June 30, 2026

- Revenue was \$105.0 million for the six months ended June 30, 2026, compared to \$67.4 million for the same period in 2025, an increase of \$37.6 million, or 55.8%. The increase in revenue was principally driven by the inclusion of revenues from the Star Operating Companies acquisition, which contributed 50 percentage points to the revenue growth.
- Gross profit was \$43.4 million for the six months ended June 30, 2026, compared to \$35.0 million for the same period in 2025, an increase of \$8.3 million, or 23.7%. The increase in gross profit was driven by the acquisition of Star Operating Companies, which increased gross profit growth by 23 percentage points.
- Selling, general and administrative expenses (including salaries and related expenses) and other non-operating income (expense) ("SG&A and Non-Op") was \$48.3 million for the six months ended June 30, 2026, compared to \$36.7 million for the same period in 2025, an increase of \$11.6 million, or 31.7%. The acquisitions of our Building Solutions, Energy Services, and Investments segments collectively contributed 25 percentage points to the increase in SG&A and Non-Op.
- Net loss was \$5.6 million for the six months ended June 30, 2026, compared to net loss of \$2.4 million for the same period in 2025, an increase in net loss of \$3.2 million.
- EBITDA loss was \$3.7 million for the six months ended June 30, 2026, compared to EBITDA loss of \$1.7 million for the same period in 2025, an increase in EBITDA loss of \$2.1 million.

Use of EBITDA (Non-GAAP Financial 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. Management considers EBITDA to be the best indicator of operating performance and most comparable measure across the regions in which the Company operates. Management uses this measure to evaluate capital needs and working capital requirements. EBITDA should not be considered in isolation or as a substitute for operating income, or net income prepared in accordance with U.S. GAAP or as a measure of the Company's profitability. EBITDA is derived from net income adjusted for the provision for (benefit from) income taxes, interest expense (income), and depreciation and amortization.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
\$ in thousands				
Net loss attributable to common shareholders	\$ (2,451)	\$ (688)	\$ (6,836)	\$ (2,444)
Dividends on Series A perpetual preferred stock	603	-	1,195	-
Net loss	(1,848)	(688)	(5,641)	(2,444)
Adjustments to Net loss				
Provision for income taxes	270	345	4	377
Interest (expense) income, net	-	(54)	13	(125)
Depreciation and amortization expense-within cost of revenues	610	-	1,241	-
Depreciation and amortization expense -within selling, general and administrative expense	324	245	635	528
Total adjustments from net loss to EBITDA	1,204	536	1,893	780
EBITDA (loss)	<u>\$ (644)</u>	<u>\$ (152)</u>	<u>\$ (3,748)</u>	<u>\$ (1,664)</u>

Results of Operations

Building Solutions

Revenue - Building Solutions

	Three Months Ended June 30,				Six Months Ended June 30,			
	2026 As reported	2025 As reported	Change in amount	Change in %	2026 As reported	2025 As reported	Change in amount	Change in %
\$ in millions								
Building Solutions								
Revenue	\$ 14.6	\$ -	\$ 14.6	N/A	\$ 26.2	-	\$ 26.2	N/A

For the three months ended June 30, 2026, Building Solutions contributed \$14.6 million to the Company’s revenue. The segment faced several headwinds during the quarter that constrained revenue generation. Project timing delays affected certain large projects, as revenue recognition shifted into subsequent quarters. Additionally, challenging macroeconomic conditions weighed on customer demand, resulting in extended sales cycles and delayed capital spending decisions.

For the six months ended June 30, 2026, Building Solutions contributed \$26.2 million to the Company’s revenue. The drivers of the revenue performance for the six months ended June 30, 2026 were the same factors noted for the three months ended June 30, 2026 above.

Gross Profit - Building Solutions

	Three Months Ended June 30,				Six Months Ended June 30,			
	2026 As reported	2025 As reported	Change in amount	Change in %	2026 As reported	2025 As reported	Change in amount	Change in %
\$ in millions								
Building Solutions								
Gross profit	\$ 3.2	\$ -	\$ 3.2	N/A	\$ 4.8	\$ -	\$ 4.8	N/A

For the three months ended June 30, 2026, Building Solutions contributed \$3.2 million to the Company’s gross profit. Margins were pressured by rising input costs outpacing pricing actions in a competitive environment, along with lower volumes.

For the six months ended June 30, 2026, Building Solutions contributed \$4.8 million to the Company’s gross profit. Margin for the first half of the year was affected largely by the same dynamics that pressured the three months ended June 30, 2026, with the earlier part of the year also seeing volume impacted by weather-related project delivery disruptions.

SG&A and Non-Op - Building Solutions

	Three Months Ended June 30,				Six Months Ended June 30,			
	2026 As reported	2025 As reported	Change in amount	Change in %	2026 As reported	2025 As reported	Change in amount	Change in %
\$ in millions								
Building Solutions								
SG&A and Non-Op	\$ 3.3	\$ -	\$ 3.3	N/A	\$ 6.5	\$ -	\$ 6.5	N/A
SG&A and Non-Op as a percentage of revenue	23%	N/A	N/A	N/A	25%	N/A	N/A	N/A

For the three months ended June 30, 2026, Building Solutions SG&A and Non-OP expenses were \$3.3 million or 23% of revenue. The segment demonstrated effective cost management during the quarter, controlling discretionary spending and maintaining operational efficiency despite the challenging revenue environment. The focus on expense discipline helped partially offset the impact of lower sales volumes on overall profitability.

For the six months ended June 30, 2026, Building Solutions SG&A and Non-OP expenses were \$6.5 million or 25% of revenue. The segment kept a disciplined approach to spending through the first half of the year, working to preserve operating flexibility as it navigates a competitive pricing environment and softer demand.

Operating (Loss) Income and EBITDA - Building Solutions

	Three Months Ended June 30,				Six Months Ended June 30,			
	2026 As reported	2025 As reported	Change in amount	Change in %	2026 As reported	2025 As reported	Change in amount	Change in %
\$ in millions								
Building Solutions								
Operating income (loss)	\$ 0.2	\$ -	\$ 0.2	N/A	\$ (1.0)	\$ -	\$ (1.0)	N/A
EBITDA (loss)	\$ -	\$ -	\$ -	N/A	\$ (1.3)	\$ -	\$ (1.3)	N/A
EBITDA (loss) as a percentage of revenue	-%	N/A	N/A	N/A	(5)%	N/A	N/A	N/A

For the three months ended June 30, 2026, Building Solutions generated operating income of \$0.2 million and EBITDA of \$0.02 million or 0.2% of revenue. Profitability for the quarter was primarily impacted by lower volume and margin pressure resulting from the competitive environment. While the segment maintained effective cost management and expense discipline on the SG&A side, the revenue shortfall and resulting margin pressure were the primary drivers of the near-breakeven EBITDA performance.

For the six months ended June 30, 2026, Building Solutions generated operating loss of \$1.0 million and EBITDA loss of \$1.3 million or 5% of revenue. The segment maintained effective cost management on the SG&A side; however, lower volume and margin pressure from the competitive environment remained a challenge through the first half of the year.

Business Services

Revenue - Business Services

	Three Months Ended June 30,				Six Months Ended June 30,			
	2026 As reported	2025 As reported	Change in amount	Change in %	2026 As reported	2025 As reported	Change in amount	Change in %
\$ in millions								
Business Services								
Revenue	\$ 36.4	\$ 35.5	\$ 0.8	2%	\$ 71.4	\$ 67.4	\$ 4.0	6%

For the three months ended June 30, 2026, RPO revenue decreased \$0.3 million, or 2%, while contracting revenue increased \$1.2 million, or 7% compared to 2025.

In the Americas, revenue increased \$0.6 million, or 8%, for the three months ended June 30, 2026, compared to the same period in 2025. The increase was primarily driven by RPO revenue, which increased \$0.9 million, or 14%, driven by higher demand from existing clients, while contracting revenue decreased \$0.3 million, or 30%, due to reduced demand from existing clients.

In Asia Pacific, revenue increased \$1.0 million, or 5%, for the three months ended June 30, 2026, compared to the same period in 2025. Contracting revenue increased \$1.8 million, or 13%, due to higher demand from existing clients, partly offset by a decline in RPO revenue of \$0.8 million, or 10%, due to a reduction in demand from existing clients.

In EMEA, revenue decreased \$0.7 million, or 11%, for the three months ended June 30, 2026, compared to the same period in 2025, driven by a decline in contracting revenue of \$0.3 million, or 9%, and a decline in RPO revenue of \$0.4 million, or 13%.

For the six months ended June 30, 2026, RPO revenue increased \$0.7 million, or 2%, while contracting revenue increased \$3.3 million, or 9% compared to 2025.

In the Americas, revenue increased \$1.6 million, or 11%, for the six months ended June 30, 2026, compared to the same period in 2025. The increase was primarily driven by RPO revenue, which increased \$2.4 million, or 20%, driven by higher demand from existing clients, while contracting revenue decreased \$0.8 million, or 41%, due to reduced demand from existing clients.

In Asia Pacific, revenue increased \$3.5 million, or 9%, for the six months ended June 30, 2026, compared to the same period in 2025. Contracting revenue increased \$5.0 million, or 19%, due to higher demand from existing clients, partly offset by a decline in RPO revenue of \$1.5 million, or 10%, due to a reduction in demand from existing clients.

In EMEA, revenue decreased \$1.1 million, or 8%, for the six months ended June 30, 2026, compared to the same period in 2025, driven by a decline in contracting revenue of \$0.9 million, or 15%, and a decline in RPO revenue of \$0.2 million, or 3%.

Gross Profit - Business Services

	Three Months Ended June 30,				Six Months Ended June 30,			
	2026 As reported	2025 As reported	Change in amount	Change in %	2026 As reported	2025 As reported	Change in amount	Change in %
\$ in millions								
Business Services								
Gross Profit	\$ 17.8	\$ 18.6	\$ (0.8)	(4)%	\$ 35.3	\$ 35.0	\$ 0.2	1%

For the three months ended June 30, 2026, gross profit decreased \$0.8 million, or 4%, driven by a decrease in RPO gross profit of \$0.5 million, compared to the same period in 2025.

In Americas, gross profit increased by \$0.7 million, or 10%, for the three months ended June 30, 2026, compared to the same period in 2025. The growth was primarily driven by an increase of \$0.8 million, or 13%, in RPO gross profit, partially offset by a decrease in contracting gross profit of \$0.1 million, or 79%, compared to 2025.

In Asia Pacific, gross profit decreased by \$1.1 million, or 13%, for the three months ended June 30, 2026, compared to the same period in 2025, driven by lower RPO gross profit of \$0.9 million, coupled with lower contracting gross profit of \$0.2 million.

In EMEA, gross profit decreased by \$0.3 million, or 10%, for the three months ended June 30, 2026, compared to the same period in 2025, driven by primarily by lower RPO gross profit of \$0.4 million.

For the six months ended June 30, 2026, gross profit increased \$0.2 million, or 1%, driven by an increase in RPO gross profit of \$0.7 million, partly offset by a decrease in contracting gross profit of \$0.5 million, compared to the same period in 2025.

In Americas, gross profit increased by \$1.9 million, or 16%, for the six months ended June 30, 2026, compared to the same period in 2025. The growth was primarily driven by an increase of \$2.3 million, or 19%, in RPO gross profit, partially offset by a decrease in contracting gross profit of \$0.4 million, or 85%, compared to 2025.

In Asia Pacific, gross profit decreased by \$1.7 million, or 11%, for the six months ended June 30, 2026, compared to the same period in 2025, driven by lower RPO gross profit of \$1.5 million, coupled with lower contracting gross profit of \$0.2 million.

In EMEA, gross profit increased slightly, or 0.1%, for the six months ended June 30, 2026, compared to the same period in 2025, driven by primarily by higher RPO gross profit of \$0.05 million.

SG&A and Non-Op - Business Services

	Three Months Ended June 30,				Six Months Ended June 30,			
	2026 As reported	2025 As reported	Change in amount	Change in %	2026 As reported	2025 As reported	Change in amount	Change in %
\$ in millions								
Business Services								
SG&A and Non-Op	\$ 17.7	\$ 17.7	\$ 0.1	-%	\$ 36.2	\$ 34.6	\$ 1.6	5%
SG&A and Non-Op as a percentage of revenue	49%	50%	N/A	N/A	51%	51%	N/A	N/A

For the three months ended June 30, 2026, SG&A and Non-Op increased \$0.1 million compared to the same period in 2025, while SG&A and Non-Op as a percentage of revenue decreased from 50% in the prior year to 49% in the current year. The increase in SG&A and Non-Op was primarily due to higher compensation costs.

For the six months ended June 30, 2026, SG&A and Non-Op increased \$1.6 million or 5%, compared to the same period in 2025, while SG&A and Non-Op as a percentage of revenue was even with the prior year.

Operating Income and EBITDA - Business Services

	Three Months Ended June 30,				Six Months Ended June 30,			
	2026 As reported	2025 As reported	Change in amount	Change in %	2026 As reported	2025 As reported	Change in amount	Change in %
\$ in millions								
Business Services								
Operating income (loss)	\$ 0.2	\$ 1.3	\$ (1.1)	(83)%	\$ (0.6)	\$ 1.0	\$ (1.6)	(166)%
EBITDA (loss)	\$ 0.1	\$ 1.0	\$ (0.9)	(93)%	\$ (0.9)	\$ 0.5	\$ (1.4)	(306)%
EBITDA (loss) as a percentage of revenue	-%	3%	N/A	N/A	(1)%	1%	N/A	N/A

For the three months ended June 30, 2026, operating income was \$0.2 million, compared to operating income of \$1.3 million in 2025, and EBITDA was \$0.1 million, or 0.2% of revenue, compared to EBITDA of \$1.0 million, or 3% of revenue, in 2025.

For the six months ended June 30, 2026, operating loss was \$0.6 million, compared to operating income of \$1.0 million in 2025, and EBITDA loss was \$0.9 million, or 1% of revenue, compared to EBITDA of \$0.5 million, or 1% of revenue, in 2025.

Energy Services

Revenue - Energy Services

	Three Months Ended June 30,				Six Months Ended June 30,			
	2026 As reported	2025 As reported	Change in amount	Change in %	2026 As reported	2025 As reported	Change in amount	Change in %
\$ in millions								
Energy Services								
Revenue	\$ 3.9	\$ -	\$ 3.9	N/A	7.4	-	\$ 7.4	N/A

For the three months ended June 30, 2026, Energy Services contributed \$3.9 million in revenue. The segment demonstrated positive momentum during the quarter, particularly in the geothermal markets, where activity levels accelerated as the segment continued to capture market share through strong customer relationships and new customer wins.

For the six months ended June 30, 2026, Energy Services contributed \$7.4 million in revenue. Activity remained strong across both the Permian and Rockies regions through the first half of the year, driving momentum across markets.

Gross Profit - Energy Services

	Three Months Ended June 30,				Six Months Ended June 30,			
	2026 As reported	2025 As reported	Change in amount	Change in %	2026 As reported	2025 As reported	Change in amount	Change in %
\$ in millions								
Energy Services								
Gross Profit	\$ 1.9	\$ -	\$ 1.9	N/A	\$ 3.4	\$ -	\$ 3.4	N/A

For the three months ended June 30, 2026, the contribution of Energy Services to the Company's Gross Profit was \$1.9 million. The segment delivered strong margin performance during the quarter. The combination of increased activity levels and improved cost absorption supported profitability as the segment executed on opportunities across both traditional energy markets and diversified non-oil-and-gas applications.

For the six months ended June 30, 2026, the contribution of Energy Services to the Company's Gross Profit was \$3.4 million. The drivers of the margin performance for the six months ended June 30, 2026 were the same factors noted for the three months ended June 30, 2026 above.

SG&A and Non-Op - Energy Services

	Three Months Ended June 30,				Six Months Ended June 30,			
	2026 As reported	2025 As reported	Change in amount	Change in %	2026 As reported	2025 As reported	Change in amount	Change in %
\$ in millions								
Energy Services								
SG&A and Non-Op	\$ 1.2	\$ -	\$ 1.2	N/A	\$ 2.2	\$ -	\$ 2.2	N/M
SG&A and Non-Op as a percentage of revenue	29%	N/A	N/A	N/A	30%	N/A	N/A	N/A

N/M = not meaningful

For the three months ended June 30, 2026, Energy Services' SG&A and non-operating expenses totaled \$1.2 million or 29% of revenue. Expenses were generally in line with normal operating levels, with a slight increase in sales commissions reflecting efforts to expand market share during the period.

For the six months ended June 30, 2026, Energy Services' SG&A and non-operating expenses totaled \$2.2 million or 30% of revenue. Spend levels tracked the segment's normal operating range for the first half of the year, with sales commissions representing a modest share of the total as the segment worked to grow its customer base.

Operating Income and EBITDA - Energy Services

	Three Months Ended June 30,				Six Months Ended June 30,			
	2026 As reported	2025 As reported	Change in amount	Change in %	2026 As reported	2025 As reported	Change in amount	Change in %
\$ in millions								
Energy Services								
Operating income (loss)	\$ 0.8	\$ -	\$ 0.8	N/M	\$ 1.2	\$ -	\$ 1.2	N/M
EBITDA (loss)	\$ 1.1	\$ -	\$ 1.1	N/M	\$ 2.0	\$ -	\$ 2.0	N/M
EBITDA (loss) as a percentage of revenue	28%	N/A	N/A	N/A	26%	N/A	N/A	N/A

N/M = not meaningful

For the three months ended June 30, 2026, Energy Services reported an operating income of \$0.8 million and an EBITDA gain of \$1.1 million or 28% of revenue. The segment's profitability reflects the positive momentum established during the quarter, with strong margin performance and increased activity levels driving EBITDA generation.

For the six months ended June 30, 2026, Energy Services reported an operating income of \$1.2 million and an EBITDA gain of \$2.0 million or 26% of revenue. Results for the first half of the year were underpinned by sustained activity across the Permian and Rockies regions and continued strength in geothermal markets, translating into solid EBITDA generation for the segment.

Investments

Revenue-Investments

	Three Months Ended June 30,				Six Months Ended June 30,			
	2026 As reported	2025 As reported	Change in amount	Change in %	2026 As reported	2025 As reported	Change in amount	Change in %
\$ in millions								
Investments								
Revenue	\$ 0.2	\$ -	\$ 0.2	N/A	\$ 0.3	\$ -	\$ 0.3	N/A

For the three and six months ended June 30, 2026, Investments contributed \$0.2 million and \$0.3 million, respectively, to the Company's revenue, reflecting rental income from owned properties.

Gross Profit - Investments

	Three Months Ended June 30,				Six Months Ended June 30,			
	2026 As reported	2025 As reported	Change in amount	Change in %	2026 As reported	2025 As reported	Change in amount	Change in %
\$ in millions								
Investments								
Gross profit	\$ 0.1	\$ -	\$ 0.1	N/A	\$ 0.2	\$ -	\$ 0.2	N/A

For the three and six months ended June 30, 2026, Investments contributed \$0.1 million and \$0.2 million, respectively, to the Company's gross profit, reflecting rental income after accounting for property depreciation.

SG&A and Non-Op - Investments

	Three Months Ended June 30,				Six Months Ended June 30,			
	2026 As reported	2025 As reported	Change in amount	Change in %	2026 As reported	2025 As reported	Change in amount	Change in %
\$ in millions								
Investments								
SG&A and Non-Op	\$ 0.2	\$ -	\$ 0.2	N/A	\$ 0.3	\$ -	\$ 0.3	N/A
SG&A and Non-Op as a percentage of revenue	136%	N/A	N/A	N/A	103%	N/A	N/A	N/A

For the three and six months ended June 30, 2026, Investments SG&A and Non-Op was \$0.2 million and \$0.3 million, respectively.

Operating (Loss) Income and EBITDA - Investments

	Three Months Ended June 30,				Six Months Ended June 30,			
	2026 As reported	2025 As reported	Change in amount	Change in %	2026 As reported	2025 As reported	Change in amount	Change in %
\$ in millions								
Investments								
Operating income (loss)	\$ (0.1)	\$ -	\$ (0.1)	N/A	\$ (0.1)	\$ -	\$ (0.1)	N/A
EBITDA (loss)	\$ (0.1)	\$ -	\$ (0.1)	N/A	\$ -	\$ -	\$ -	N/A
EBITDA (loss) as a percentage of revenue	(35)%	N/A	N/A	N/A	(3)%	N/A	N/A	N/A

Investments operating loss was \$0.1 million for three and six months ended June 30, 2026, with EBITDA loss of \$0.1 million, or 35% of revenue for the three months ended June 30, 2026 and \$0.01 million, or 3% of revenue for the six months ended June 30, 2026.

Corporate Expenses, Net of Corporate Management Expense Allocations

Corporate expenses were \$1.8 million for the three months ended June 30, 2026 as compared to \$1.1 million for the same period in 2025, representing an increase of \$0.7 million. The increase in corporate expenses was primarily driven by higher compensation costs, reflecting increased salaries and related expenses associated with the acquisition of Star Operating Companies.

For the six months ended June 30, 2026, corporate expenses were \$3.4 million compared to \$2.1 million for the same period in 2025, representing an increase of \$1.3 million. The increase in corporate expenses was primarily driven by the same reason noted above.

Depreciation and Amortization Expense

Depreciation and amortization expense included in operating expenses was \$0.3 million and \$0.6 million for the three and six months ended June 30, 2026, compared to \$0.2 million and \$0.5 million for the same periods in 2025. Depreciation and amortization expense included in cost of revenues was \$0.6 million and \$1.2 million for the three and six months ended June 30, 2026.

Interest (expense) income, Net

Interest expense, net was \$0.0 million and \$0.0 million for the three and six months ended June 30, 2026, compared to net interest income of \$0.1 million for each of the same periods in 2025.

Other Income (expense), Net

Net other expense was \$0.2 million for the three and six months ended June 30, 2026, compared to net other expense of \$0.2 million and \$0.3 million for the same periods in 2025.

Provision for Income Taxes

The provision for income taxes for the six months ended June 30, 2026 was \$0.0 million on \$5.6 million of pre-tax loss, compared to a provision for income tax of \$0.4 million on \$2.1 million of pre-tax loss for the same period in 2025. The effective tax rates for the six months ended June 30, 2026 and 2025 were negative 0.08% and negative 18%, respectively. For the six months ended June 30, 2026, the effective tax rates differed from the U.S. Federal statutory rate of 21% primarily due to pretax losses for which no tax benefit can be recognized, foreign tax rate differences, and non-deductible expenses. For the six months ended June 30, 2025, the effective tax rates differed from the U.S. Federal statutory rate of 21% primarily due to pretax losses for which no tax benefit can be recognized, foreign tax rate differences, and non-deductible expenses. The current year-to-date effective tax rate differs significantly from the prior period effective tax rate primarily due to the interaction of rate reconciliation items, including changes in valuation allowance.

Net Loss

Net loss attributable to common shareholders was \$2.5 million for the three months ended June 30, 2026, compared to net loss of \$0.7 million for the three months ended June 30, 2025, an increase in net loss of \$1.8 million. Basic and diluted loss per share were both \$0.66 for the three months ended June 30, 2026, compared to basic and diluted loss per share of \$0.23 for the same period in 2025.

Net loss attributable to common shareholders was \$6.8 million for the six months ended June 30, 2026, compared to net loss of \$2.4 million for the six months ended June 30, 2025, an increase in net loss of \$4.4 million. Basic and diluted loss per share were both \$1.84 for the six months ended June 30, 2026, compared to basic and diluted loss per share of \$0.82 for the same period in 2025.

Liquidity and Capital Resources

As of June 30, 2026, cash and cash equivalents and restricted cash totaled \$8.9 million, compared to \$13.4 million as of December 31, 2025. The following table summarizes the Company's cash flow activities for the six months ended June 30, 2026 and 2025:

\$ in millions	For the Six Months Ended June 30,	
	2026*	2025
Net cash used in operating activities	\$ (3.1)	\$ (0.7)
Net cash provided by investing activities	0.6	-
Net cash used in financing activities	(1.8)	-
Effect of exchange rates on cash, cash equivalents, and restricted cash	(0.1)	0.6
Net decrease in cash, cash equivalents, and restricted cash*	<u>\$ (4.5)</u>	<u>\$ (0.1)</u>

*2026 does not sum due to rounding

Cash Flows from Operating Activities

For the six months ended June 30, 2026, net cash used in operating activities was \$3.1 million, compared to \$0.7 million during the same period in 2025, resulting in a \$2.5 million increase in net cash used. The decline was primarily driven by the Company's higher net loss in 2026 compared to 2025.

Cash Flows from Investing Activities

For the six months ended June 30, 2026, net cash provided by investing activities was \$0.6 million compared to \$0.0 million of net cash used in investing activities in 2025. Investing activities in 2026 primarily reflects \$3.2 million of proceeds from a sale-leaseback of real estate, \$1.1 million from sales of equity securities, \$0.4 million from the sale of lost-in-hole equipment, and \$0.2 million from note receivable repayments, partially offset by \$2.8 million of capital expenditures and \$1.6 million of equity security purchases.

Cash Flows from Financing Activities

For the six months ended June 30, 2026, net cash used in financing activities was \$1.8 million, compared to net cash used in financing activities of \$0.0 million in 2025. Net cash used in 2026 primarily reflects preferred stock dividends paid of \$1.2 million in the current year, treasury stock repurchases of \$0.9 million, and net debt repayments of \$0.5 million, partially offset by \$0.8 million of proceeds from the issuance of preferred stock under the Company's at-the-market program.

Credit Facilities

See Note 9, Debt, in the accompanying notes to the condensed consolidated financial statements for further details.

Liquidity and Capital Resources Outlook

As of June 30, 2026, the Company had cash and cash equivalents on hand of \$6.8 million, as well as our lines of credit and other debt instruments. During the three months ended June 30, 2026, the Company raised \$790 in net proceeds through sales of shares of its 10% Series A Cumulative Perpetual Preferred Stock under an At Market Issuance Sales Agreement entered into in May 2026. Other than as described above, the Company has no financial guarantees, outstanding debt or other lease agreements or arrangements that could trigger a requirement for an early payment or that could change the value of our assets. The Company believes that it has sufficient liquidity to satisfy its needs through at least the next 12 months, based on the Company's financial position as of June 30, 2026. The Company's near-term cash requirements during 2026 are primarily related to the funding of the Company's operations.

As of June 30, 2026, \$2.1 million of the Company's cash and cash equivalents noted above were held in the U.S. and the remainder were held outside the U.S., primarily in the U.K. (\$1.3 million), Singapore (\$1.0 million), Hong Kong (\$0.6 million), the Philippines (\$0.4 million), and China (\$0.3 million). The majority of the Company's offshore cash is available to it as a source of funds, net of any tax obligations or assessments.

Off-Balance Sheet Arrangements

As of June 30, 2026, the Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Contingencies

From time to time in the ordinary course of business, the Company is subject to compliance audits by U.S. federal, state, local, and foreign government regulatory, tax, and other authorities relating to a variety of regulations, including wage and hour laws, unemployment taxes, workers' compensation, immigration, and income, value-added, and sales taxes. The Company is also subject to, from time to time in the ordinary course of business, various claims, lawsuits, and other complaints from, for example, clients, candidates, suppliers, landlords for both leased and subleased properties, former and current employees, and regulators or tax authorities. Periodic events and management actions such as business reorganization initiatives can change the number and types of audits, claims, lawsuits, contract disputes, or complaints asserted against the Company. Such events can also change the likelihood of assertion and the behavior of third parties to reach resolution regarding such matters.

The economic conditions in the recent past have given rise to many news reports and bulletins from clients, tax authorities, and other parties about changes in their procedures for audits, payment, plans to challenge existing contracts, and other such matters aimed at being more aggressive in the resolution of such matters in their own favor. The Company believes that it has appropriate procedures in place for identifying and communicating any matters of this type, whether asserted or likely to be asserted, and it evaluates its liabilities in light of the prevailing circumstances. Changes in the behavior of third parties could cause the Company to change its view of the likelihood of a claim and what might constitute a trend. Employment laws vary in the markets in which we operate, and in some cases, employees and former employees have extended periods during which they may bring claims against the Company.

For matters that reach the threshold of probable and estimable, the Company establishes reserves for legal, regulatory, and other contingent liabilities. The Company had \$0.2 million of legal reserves as of both June 30, 2026 and December 31, 2025. Although the outcome of these matters cannot be determined, the Company believes that none of the currently pending matters, individually or in the aggregate, will have a material adverse effect on the Company's financial condition, results of operations or liquidity.

Recent Accounting Pronouncements

See Note 3 to the Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q for a full description of relevant accounting pronouncements, including the respective expected dates of adoption.

Critical Accounting Policies and Estimates

See "Critical Accounting Estimates" under Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2025 filed with the SEC on March 20, 2026 and incorporated by reference herein. There were no changes to the Company's critical accounting policies or estimates during the six months ended June 30, 2026.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains statements that the Company believes to be "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this Form 10-Q, including statements regarding the Company's future financial condition, results of operations, business operations and business prospects, are forward-looking statements. Words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "predict," "believe," and similar words, expressions, and variations of these words and expressions are intended to identify forward-looking statements. All forward-looking statements are subject to important factors, risks, uncertainties, and assumptions, including industry and economic conditions that could cause actual results to differ materially from those described in the forward-looking statements. Such factors, risks, uncertainties, and assumptions include, but are not limited to, (1) global economic fluctuations, (2) changes in the cost and availability of commodities, materials, and equipment, (3) risks related to providing uninterrupted service to clients, (4) the ability of clients to terminate their relationship with the Company at any time, (5) risks associated with real estate ownership, (6) the Company's ability to successfully achieve its strategic initiatives, (7) risks related to fluctuations in the Company's operating results from quarter to quarter, (8) risks related to potential acquisitions or dispositions of businesses by the Company, (9) our profitability and growth being tied to the success of our operating businesses, (10) risks associated with our financial investments in other businesses, (11) our ability to improve existing products and services and develop, introduce, and market new products and services successfully, (12) the loss of or material reduction in our business with any of the Company's largest customers, (13) competition in the Company's markets, (14) risks related to potential decreases in demand for products, (15) our ability to maintain costs at an acceptable level, (16) the negative cash flows and operating losses that may recur in the future, (17) risks related to international operations, including foreign currency fluctuations, political events, trade wars, natural disasters or health crises, including the Russia-Ukraine war and conflict in the Middle East, (18) risks relating to how future credit facilities may affect or restrict our operating flexibility, (19) our ability to generate or borrow sufficient cash to make payments on our indebtedness, (20) risks related to indebtedness, (21) risks associated with the Company's investment strategy, (22) the Company's dependence on key management personnel, (23) the Company's ability to attract and retain highly skilled professionals, management, and advisors, (24) the Company's ability to collect accounts receivable, (25) the Company's exposure to legal proceedings, investigations and disputes, and limits on related insurance coverage, (26) the Company's ability to utilize net operating loss carryforwards, (27) the potential for goodwill impairment, (28) volatility of the Company's stock price, (29) risks related to our historically low trading volume, (30) risks related to securities or industry analysts, (31) the Company's ability to declare dividends, (32) risks associated with failure to pay dividends on our Series A Preferred Stock, (33) our history of annual net losses, (34) risks related to our international operations, (35) risks related to compliance with federal and state laws, regulations, and other rules, (36) our exposure to employment-related claims, legal liability, and costs from clients, employees, and regulatory authorities, (37) risks related to the imposition of licensing or tax requirements or new regulations, (38) the effect of Anti-takeover provisions in our organizational documents, (39) the effect of the protective amendment contained in our Restated Certificate of Incorporation, (40) the impact of our stockholder rights plan, or "poison pill," on stockholder decision making, (41) risks related to our scaled disclosure requirements as a smaller reporting company, (42) the Company's heavy reliance on information systems and the impact of potentially losing or failing to develop technology, (43) the adverse impacts of cybersecurity threats and attacks, and (44) risks related to the use of new and evolving technologies. The foregoing list should not be construed to be exhaustive. Actual results could differ materially from the forward-looking statements contained in this Form 10-Q. In view of these uncertainties, you should not place undue reliance on any forward-looking statements, which are based on our current expectations. These forward-looking statements speak only as of the date of this Form 10-Q. The Company assumes no obligation, and expressly disclaims any obligation, to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Star Equity Holdings, Inc.
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STAR EQUITY HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Revenues:				
Building Solutions	\$ 14,612	\$ -	\$ 26,210	\$ -
Business Services	36,385	35,541	71,390	67,407
Energy Services	3,944	-	7,402	-
Investments	-	-	-	-
Total revenues	54,941	35,541	105,002	67,407
Cost of revenues:				
Building Solutions	11,454	-	21,411	-
Business Services	18,570	16,906	36,129	32,374
Energy Services	2,048	-	3,963	-
Investments	74	-	149	-
Total cost of revenues	32,146	16,906	61,652	32,374
Gross profit	22,795	18,635	43,350	35,033
Operating expenses:				
Salaries and related	17,967	14,837	36,707	29,182
Office and general	4,873	2,793	9,470	5,357
Marketing and promotion	1,001	971	1,923	1,901
Depreciation and amortization	324	245	635	528
Total operating expenses	24,165	18,846	48,735	36,968
Operating loss	(1,370)	(211)	(5,385)	(1,935)
Non-operating income (expense):				
Interest income (expense), net	-	54	(13)	125
Other (expense) income, net	(208)	(186)	(239)	(257)
Loss before income taxes	(1,578)	(343)	(5,637)	(2,067)
Provision for income taxes	270	345	4	377
Net loss	(1,848)	(688)	(5,641)	(2,444)
Dividend on Series A Perpetual preferred stock	(603)	-	(1,195)	-
Net loss attributable to common shareholders	\$ (2,451)	\$ (688)	\$ (6,836)	\$ (2,444)
Loss per share:				
Basic	\$ (0.50)	\$ (0.23)	\$ (1.51)	\$ (0.82)
Diluted	\$ (0.50)	\$ (0.23)	\$ (1.51)	\$ (0.82)
Loss per share attributable to common shareholders:				
Basic	\$ (0.66)	\$ (0.23)	\$ (1.84)	\$ (0.82)
Diluted	\$ (0.66)	\$ (0.23)	\$ (1.84)	\$ (0.82)
Weighted-average shares outstanding:				
Basic	3,704	2,995	3,724	2,990
Diluted	3,704	2,995	3,724	2,990
Dividends declared per share of Series A Perpetual preferred stock	\$ 0.25	\$ -	\$ 0.50	\$ -

See accompanying notes to Condensed Consolidated Financial Statements.

STAR EQUITY HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF
OTHER COMPREHENSIVE (LOSS) INCOME
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Comprehensive loss:				
Net loss	\$ (1,848)	\$ (688)	\$ (5,641)	\$ (2,444)
Other comprehensive (loss) income:				
Foreign currency translation adjustment, net of income taxes	(81)	1,124	(164)	1,548
Total other comprehensive (loss) income, net of income taxes	(81)	1,124	(164)	1,548
Comprehensive (loss) income	<u>\$ (1,929)</u>	<u>\$ 436</u>	<u>\$ (5,805)</u>	<u>\$ (896)</u>

See accompanying notes to Condensed Consolidated Financial Statements.

STAR EQUITY HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)
(unaudited)

	June 30, 2026	December 31, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,834	\$ 10,269
Restricted cash, current	1,540	1,819
Investments in equity securities	4,262	3,767
Accounts receivable, less allowance for expected credit losses of \$289 and \$275, respectively	34,940	35,220
Inventories, net	6,954	6,988
Note receivable, current portion	236	256
Prepaid and other	3,059	4,168
Total current assets	57,825	62,487
Property and equipment, net of accumulated depreciation of \$7,632 and \$6,367, respectively	16,598	18,610
Operating lease right-of-use assets	13,718	11,675
Goodwill	5,899	5,944
Intangible assets, net of accumulated amortization of \$5,117 and \$4,795, respectively	1,355	1,688
Long-term investments	953	953
Notes receivable, net of current portion	8,948	8,629
Deferred tax assets, net	2,374	1,911
Restricted cash, non-current	551	1,322
Other assets	15	12
Total assets	\$ 108,236	\$ 113,231
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 5,352	\$ 4,769
Accrued salaries, commissions, and benefits	7,734	7,526
Accrued expenses and other current liabilities	5,237	6,907
Short-term debt	8,962	8,473
Deferred revenue	1,442	1,496
Operating and finance lease obligations, current	729	655
Total current liabilities	29,456	29,826
Income tax payable	101	99
Operating lease obligations	13,383	11,235
Long-term debt, net of current portion	5,123	6,056
Other liabilities	376	308
Total liabilities	48,439	47,524
Commitments and contingencies		
Stockholders' equity:		
Series A preferred stock, \$0.001 par value; 10,000 shares authorized; 2,776 and 2,691 shares issued; 2,455 and 2,370 shares outstanding, respectively	3	3
Common stock, \$0.001 par value, 20,000 shares authorized; 5,398 and 5,366 shares issued; 3,699 and 3,755 shares outstanding, respectively	5	5
Additional paid-in capital	530,922	530,136
Accumulated deficit	(441,575)	(435,934)
Accumulated other comprehensive loss, net of applicable tax	(1,528)	(1,364)
Treasury stock, at cost: 1,699 and 1,611 common shares, respectively, and 321 preferred shares for both periods	(28,030)	(27,139)
Total stockholders' equity	59,797	65,707
Total liabilities and stockholders' equity	\$ 108,236	\$ 113,231

See accompanying notes to Condensed Consolidated Financial Statements.

STAR EQUITY HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2026	2025
Cash flows from operating activities:		
Net loss	\$ (5,641)	\$ (2,444)
Adjustments to reconcile net loss to net cash used by operating activities:		
Total depreciation and amortization	1,876	528
Provision for expected credit losses	209	19
Benefit from deferred income taxes	(494)	(166)
Stock-based compensation	1,191	629
Non-cash interest income	(468)	-
Gain on sale-leaseback of real estate	(37)	-
Realized gain on sale of investments	(496)	-
Unrealized loss on equity securities	376	-
Gross profit from sale of lost-in-hole equipment	(364)	-
Changes in operating assets and liabilities, net of effect of dispositions:		
Accounts receivable	262	(2,340)
Inventories	34	-
Prepaid and other assets	1,409	332
Deferred revenue	(54)	-
Accounts payable, accrued expenses, and other liabilities	(925)	2,779
Net cash used in operating activities	<u>(3,122)</u>	<u>(663)</u>
Cash flows from investing activities:		
Capital expenditures	(2,798)	(43)
Proceeds from sale-leaseback of real estate	3,211	-
Proceeds from sale of lost-in-hole equipment	394	-
Proceeds from sale of property and equipment	30	-
Purchases of equity securities	(1,591)	-
Proceeds from sales of equity securities	1,138	-
Repayment of note receivable	169	-
Net cash provided by (used in) investing activities	<u>553</u>	<u>(43)</u>
Cash flows from financing activities:		
Proceeds from borrowings	22,999	-
Repayment of debt	(23,529)	-
Net borrowings under invoice finance credit facility	44	-
Preferred stock dividends paid	(1,195)	-
Proceeds from issuance of preferred stock	790	-
Purchase of treasury stock (including payment of tax withholdings)	(869)	-
Cash paid for net settlement of employee restricted stock units	(22)	(31)
Net cash used in financing activities	<u>(1,782)</u>	<u>(31)</u>
Effect of exchange rates on cash, cash equivalents, and restricted cash	(134)	593
Net decrease in cash, cash equivalents, and restricted cash	(4,485)	(144)
Cash, cash equivalents, and restricted cash, beginning of the period	13,410	17,667
Cash, cash equivalents, and restricted cash, end of the period	<u>\$ 8,925</u>	<u>\$ 17,523</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	\$ 519	\$ -
Cash received during the period for interest	\$ 38	\$ 97
Net cash payments during the period for income taxes	\$ 581	\$ 543
Cash paid for amounts included in operating lease liabilities	\$ 1,077	\$ 402
Supplemental non-cash disclosures:		
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 2,494	\$ 361

See accompanying notes to Condensed Consolidated Financial Statements.

STAR EQUITY HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

	Preferred Stock		Common stock		Additional paid-in capital	Accumulated deficit	Accumulated Other Comprehensive income (loss)	Treasury Stock		Total stockholders' equity
	Shares	Amount	Shares	Amount				Shares	Amount	
Balance at December 31, 2025	2,691	\$ 3	5,366	\$ 5	\$ 530,136	\$ (435,934)	\$ (1,364)	(1,611)	\$ (27,139)	\$ 65,707
Stock-based compensation	-	-	23	-	484	-	-	-	-	484
Purchase of treasury stock (including payment of tax withholdings)	-	-	-	-	-	-	-	(70)	(712)	(712)
Purchase of net settled restricted stock	-	-	-	-	-	-	-	(1)	(9)	(9)
Accumulated other comprehensive loss	-	-	-	-	-	-	(83)	-	-	(83)
Dividends to holders of preferred stock (\$0.250 per share)	-	-	-	-	(592)	-	-	-	-	(592)
Net loss	-	-	-	-	-	(3,793)	-	-	-	(3,793)
Balance at March 31, 2026	2,691	\$ 3	5,389	\$ 5	\$ 530,028	\$ (439,727)	\$ (1,447)	(1,682)	\$ (27,860)	\$ 61,002
Stock-based compensation	2	-	9	-	707	-	-	-	-	707
Issuance of preferred stock	83	-	-	-	790	-	-	-	-	790
Purchase of treasury stock (including payment of tax withholdings)	-	-	-	-	-	-	-	(16)	(157)	(157)
Purchase of net settled restricted stock	-	-	-	-	-	-	-	(1)	(13)	(13)
Accumulated other comprehensive loss	-	-	-	-	-	-	(81)	-	-	(81)
Dividends to holders of preferred stock (\$0.250 per share)	-	-	-	-	(603)	-	-	-	-	(603)
Net loss	-	-	-	-	-	(1,848)	-	-	-	(1,848)
Balance at June 30, 2026	2,776	\$ 3	5,398	\$ 5	\$ 530,922	\$ (441,575)	\$ (1,528)	(1,699)	\$ (28,030)	\$ 59,797

	Preferred Stock		Common stock		Additional paid-in capital	Accumulated deficit	Accumulated Other Comprehensive income (loss)	Treasury Stock		Total stockholders' equity
	Shares	Amount	Shares	Amount				Shares	Amount	
Balance at December 31, 2024	-	\$ -	4,033	\$ 4	\$ 494,209	\$ (430,017)	\$ (2,717)	(1,283)	\$ (21,051)	\$ 40,428
Stock-based compensation	-	-	2	-	386	-	-	-	-	386
Purchase of net settled restricted stock	-	-	-	-	-	-	-	(1)	(8)	(8)
Accumulated other comprehensive income	-	-	-	-	-	-	424	-	-	424
Net loss -	-	-	-	-	(1,756)	-	-	-	-	(1,756)
Balance at March 31, 2025	-	\$ -	4,035	\$ 4	\$ 494,595	\$ (431,773)	\$ (2,293)	(1,284)	\$ (21,059)	\$ 39,474
Stock-based compensation	-	-	7	-	243	-	-	-	-	243
Purchase of net settled restricted stock	-	-	-	-	-	-	-	(3)	(23)	(23)
Accumulated other comprehensive income	-	-	-	-	-	-	1,124	-	-	1,124
Net loss	-	-	-	-	-	(688)	-	-	-	(688)
Balance at June 30, 2025	-	\$ -	4,042	\$ 4	\$ 494,838	\$ (432,461)	\$ (1,169)	(1,287)	\$ (21,082)	\$ 40,130

See accompanying notes to Condensed Consolidated Financial Statements.

STAR EQUITY HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share amounts)
(unaudited)

NOTE 1 - BASIS OF PRESENTATION

These interim unaudited condensed consolidated financial statements have been prepared in accordance with United States of America ("U.S.") generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X of the U.S. Securities and Exchange Commission ("SEC") for interim financial reporting and should be read in conjunction with the consolidated financial statements and related notes of Star Equity Holdings, Inc. and its subsidiaries (the "Company") filed in their respective Annual Reports on Form 10-K for the year ended December 31, 2025.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of operating revenues and expenses. These estimates are based on management's knowledge and judgments. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the Company's financial position, results of operations, and cash flows at the dates and for the periods presented have been included. The results of operations for interim periods are not necessarily indicative of the results of operations for the full year. The condensed consolidated financial statements include the accounts of the Company and all of its wholly owned subsidiaries. Intra-entity balances and transactions between and among the Company and its subsidiaries have been eliminated in consolidation. Certain prior period amounts have been reclassified to conform to the current year presentation with no material impact on the condensed consolidated financial statements. For more information, see Note 2 to the Condensed Consolidated Financial Statements.

NOTE 2 - DESCRIPTION OF BUSINESS

Star Equity Holdings, Inc. is a multi-industry diversified holding company with four segments: Building Solutions, Business Services, Energy Services, and Investments. Our common stock and Series A preferred stock are listed on the NASDAQ Global Market exchange as "STRR" and "STRRP," respectively.

AMENDMENT TO CERTIFICATE OF INCORPORATION

On September 4, 2025, Star Equity filed a certificate of amendment (the "Amendment") to the Company's Amended and Restated Certificate of Incorporation, as Amended (the "Charter"), to change the name of the Company from Hudson Global, Inc. to Star Equity Holdings, Inc. (the "Name Change"). The Name Change was approved by the Company's Board of Directors (the "Board") on September 2, 2025, and became effective at 12:01 a.m. (Eastern Time) on September 5, 2025.

STAR-HUDSON MERGER

On August 22, 2025, Star Equity Holdings, Inc. ("Star", formerly known as Hudson Global, Inc. ("Hudson")), completed its previously announced acquisition of Star Operating Companies, Inc. ("SOC" or "Star Operating Companies", formerly known as Star Equity Holdings, Inc.) pursuant to the Agreement and Plan of Merger, dated as of May 21, 2025 (the "Merger Agreement"), by and among Star, SOC, and HSON Merger Sub, Inc., a wholly owned subsidiary of Star ("Merger Sub"). Upon the terms and subject to the conditions of the Merger Agreement, on August 22, 2025, at the effective time of the Merger (the "Effective Time"), Merger Sub merged with and into SOC, with SOC continuing as the surviving corporation of the Merger under the name "Star Operating Companies, Inc." as a wholly owned subsidiary of Star.

Pursuant to the terms of the Merger Agreement, at the Effective Time, (i) each share of common stock of SOC issued and outstanding immediately prior to the Effective Time (other than certain shares as set forth in the Merger Agreement) was automatically converted into the right to receive 0.23 shares of Star common stock (the "exchange ratio") and (ii) each share of preferred stock of SOC issued and outstanding immediately prior to the Effective Time (other than certain shares set forth in the Merger Agreement) was automatically converted into the right to receive one (1) share of Star 10% Series A Cumulative Perpetual preferred stock ("Preferred Stock"). As a result of the Merger, former SOC common stockholders received approximately 744,291 shares of Star common stock for their SOC common shares and former SOC preferred stockholders received approximately 2,690,637 shares of Star Preferred Stock. No fractional shares of Star common stock were issued in the Merger, and SOC stockholders became entitled to receive cash in lieu of fractional shares in accordance with the Merger Agreement.

In addition, pursuant to the terms of the Merger Agreement, at the Effective Time, each award of SOC restricted stock units (“RSUs”) outstanding immediately prior to the Effective Time was converted into Star RSUs issued under the Hudson Global, Inc. 2009 Incentive Stock and Awards Plan, as amended (the “Plan”), in accordance with the Merger Agreement.

The accompanying condensed consolidated financial statements include the financial results of SOC beginning on August 22, 2025 and reflect the post-merger results of the Building Solutions, Energy Services, and Investments segments for the period from January 1, 2026 through June 30, 2026. The acquisition was accounted for as a business combination in accordance with ASC 805, Business Combinations. All significant intercompany accounts and transactions have been eliminated in consolidation.

SEGMENTS

Our Building Solutions segment is currently made up of the following operating businesses: KBS Builders, Inc. (“KBS”); EdgeBuilder, Inc. (“EdgeBuilder”), and Glenbrook Building Supply, Inc. (“Glenbrook”), with the latter two managed together and referred to jointly as “EBGL,” and Timber Technologies Solutions, Inc. (“TT”). KBS is based in Maine and manufactures modular buildings, typically in the single and multi-family residential segments, servicing principally the New England market. EBGL is based in the Minneapolis-Saint Paul area and principally serves the Upper Midwest region. EBGL manufactures and delivers structural wall panels for single and multi-family residential buildings, and other engineered wood-based products. EBGL also distributes building materials from two lumberyard locations primarily focused on professional builder customers. TT is based outside the Minneapolis-St. Paul area and manufactures glue-laminated timber products (“glulam”) for various end markets and applications, including agriculture, industrial, infrastructure, and building construction (commercial and residential).

Our Business Services segment delivers Recruitment Process Outsourcing (“RPO”) services consisting of recruitment and contracting solutions tailored to the individual needs of primarily mid-to-large multinational companies. The Company operates directly in eighteen countries organized into three geographic regions: the Americas, Asia Pacific, and Europe, Middle East, and Africa (“EMEA”). The Company’s RPO delivery teams utilize recruitment process methodologies and project management expertise to meet clients’ ongoing business needs. The Company’s RPO services include complete recruitment outsourcing, project-based outsourcing, contingent workforce solutions, and recruitment consulting for clients’ permanent staff hires. RPO services leverage the Company’s consultants, supported by the Company’s specialists, in the delivery of its proprietary methods to identify, select, and engage the best-fit talent for critical client roles. In addition, the Company provides RPO clients with a range of outsourced professional contract staffing services and managed service provider services offered sometimes on a standalone basis and sometimes as part of a blended total talent solution. These services draw upon a combination of specialized recruiting and project management competencies to deliver a wide range of solutions. Hudson RPO-employed professionals - either individually or as a team - are placed with client organizations for a defined period of time based on specific business needs of the client.

Our Energy Services segment currently consists of Alliance Drilling Tools, Inc. (“ADT”), a Wyoming and Texas based provider of drilling tools and services to the Energy industry, a key sector of the economy. ADT is a full-service downhole drilling tool company which provides sale and rental tools in the Oil & Gas, Geothermal, Mining, and Waterwells sectors. ADT is strategically located near premier oilfields in the Rockies, a geothermal and mining hub, and in Midland, TX within the Permian Basin. ADT’s business model allows for the majority of costs, such as freight, repairs, and damages, to be passed directly to customers.

Our Investments segment holds and manages certain of our corporate-owned real estate, including a manufacturing facility in Maine that is leased to KBS and a manufacturing facility in Wisconsin that is leased to TT. The Investments segment manages internally funded, concentrated minority investments in a small number of public companies. It also holds and manages a promissory note and a private equity stake in Catalyst MedTech LLC (“Catalyst”), a provider of medical imaging equipment and services. SOC acquired these interests in May 2023 as a result of the sale of Digirad Health. Our Investments segment also holds an investment in Enservco Corporation consisting of an investment in Enservco Common Stock, an investment in Enservco Preferred Stock, and an investment in a call option, all of which currently have a carrying value of zero.

See Note 17 to the Condensed Consolidated Financial Statements for further details regarding the Company’s reportable segments: Building Solutions, Business Services, Energy Services and Investments.

ADOPTION OF ACCOUNTING POLICIES PURSUANT TO MERGER

The accounting policies of SOC have been conformed to those of the Company where necessary. No significant differences in accounting policies were identified. As a result of the acquisition, the Company adopted the following accounting policies that were not previously applicable to its operations:

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, and accounts payable. The carrying amount of short-term and long-term debt and notes payable approximates fair value because of the relative short maturity of these instruments and interest rates we could currently obtain.

The Company occasionally enters into derivative financial instruments to manage certain market risks. These derivative instruments are not designated as hedging instruments and accordingly, are recorded at fair value in the Condensed Consolidated Balance Sheets with changes in fair value recognized in cost of revenues in the Condensed Consolidated Statements of Operations.

Equity Securities

Securities consist of investments in equity securities that are publicly traded. These equity securities are measured at fair value on a trade date basis and changes in fair value are recognized in net income in other income (expense). Investments that are strategic in nature, with the intent to hold the investment over a several year period, are classified as long-term investments.

Long-Term Investments

As a part of the sale of Digirad Health, Star Operating Companies received common equity in Insignia TTG Parent LLC ("Catalyst Parent"), the parent entity of Catalyst formerly known as TTG Imaging Solutions, LLC. In accounting for this investment, we have elected the measurement alternative under ASC 321 "Accounting for Investments in Equity Securities". The measurement alternative election allows for equity securities that do not have readily determinable fair values to be recorded at cost, with adjustments for impairment and certain observable price changes reflected in earnings. Such securities are adjusted to fair value when an observable price change occurs or impairment is identified. Each reporting period, we perform a qualitative and quantitative assessment considering impairment indicators to evaluate whether the investment is impaired. Impairment indicators include, but are not limited to, significant deterioration in earnings performance, significant adverse changes in the regulatory or economic environment, and working capital deficiencies. If an investment is determined to be impaired, we include an impairment loss as a component of other income (expense) equal to the difference between the fair value of the investment and its carrying amount. During the period ended June 30, 2026, we recognized no impairment loss on this investment.

On August 9, 2024, SOC completed an investment in Enservco Corporation ("Enservco") ("Investment in Enservco"), which consisted of Enservco Common Stock, Enservco Preferred Stock, and certain other options reflected in the Share Exchange Agreement, and the Enservco Note Receivable (See Note 18, *Supplementary Balance Sheet Information*). The Investment in Enservco is required to be accounted for using the equity method of accounting under ASC 323, "Equity Method Investments and Joint Ventures", as we are deemed to have significant influence over Enservco based upon GAAP rules. Pursuant to the guidance in ASC 323, we elected the fair value option pursuant to ASC 825-10-15, wherein the financial instrument is initially measured at estimated fair value as of the transaction issue date and then subsequently remeasured at estimated fair value as of each reporting period balance sheet date, with changes in the estimated fair value recognized as other income (expense) in the statement of operations. Enservco Common Stock is publicly traded, and the fair value is determined based on Enservco's common stock close price as of the reporting date. The fair value of the Enservco Preferred Stock was based on the consideration of a number of objective and subjective factors, including third-party valuations and a company-specific economic outlook. To determine the fair value of the call option, the Company used the Black-Scholes option pricing model. The fair value of the Enservco Note was determined using a discounted cash flow model. Fair value assumptions are further described in Note 12, *Fair Value Measurements*. The Enservco Note was determined to be uncollectible as of December 31, 2024 and the value was reduced to \$0. As described further in Note 18, *Supplementary Balance Sheet Information*, the value of the Enservco Note was fully collateralized and SOC called the collateral once it was determined that the note was in default.

Inventory

Inventories are valued using first-in, first-out, or the weighted-average inventory method; stated at the lower of cost 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 inventory on-hand compared with historical and estimated future sales and usage for new and existing products and assumptions about the likelihood of obsolescence.

Debt Issuance Costs

We incur debt issuance costs in connection with debt financings. Debt issuance costs for line of credit are presented in other assets and are amortized over the term of the revolving debt agreements using the straight-line method. Debt issuance costs for term debt are netted against the debt and are amortized over the term of the loan using the effective interest method. Amortization of debt issuance costs are included in interest expense. As of June 30, 2026, we have no 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 \$808 and \$1,622 for the three and six months ended June 30, 2026, respectively.

Warranties

Within our Building Solutions 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 25 years. TT provides a limited warranty on glulam products for a period of 50 years. Estimated warranty costs are accrued in the period that the related revenue is recognized. See Note 18, *Supplementary Balance Sheet Information*, for further information.

Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred. Total advertising and marketing costs for the three and six months ended June 30, 2026 were \$1,001 and \$1,923, respectively, and \$971 and \$1,901 for the three and six months ended June 30, 2025, respectively.

NOTE 3 - ACCOUNTING PRONOUNCEMENTS

Adoption of New Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): “Improvements to Income Tax Disclosures”, which enhances annual income tax disclosures primarily related to the effective tax rate reconciliation and income taxes paid. The standard is effective for the Company for annual periods beginning after January 1, 2025, and the Company adopted the guidance on a prospective basis, with prior periods not revised. The adoption of ASU 2023-09 did not have an impact on the Company’s income tax recognition or measurement, and only affects the Company’s annual income tax footnote disclosure.

In July 2025, the FASB issued Accounting Standards Update (“ASU”) 2025-05, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets. The ASU provides an optional practical expedient for estimating expected credit losses on current accounts receivable and contract assets arising from revenue transactions accounted for under ASC 606. The Company adopted ASU 2025-05 on January 1, 2026, the beginning of its 2026 fiscal year, and elected the practical expedient for in-scope current accounts receivable and contract assets. The adoption of ASU 2025-05, including the election of the practical expedient, did not have a material impact on the Company’s condensed consolidated financial statements or related disclosures.

Recent Accounting Standards Not Yet Adopted

In September 2025, the FASB issued ASU 2025-06, “Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software”, ASU 2025-06 updates the accounting for internal-use software by removing the previous “project stage” model and requiring capitalization only when management authorizes and commits to funding a project that is probable of completion. The ASU also adds guidance on assessing development uncertainty, incorporates website development into Subtopic 350-40, and aligns presentation and disclosure requirements with ASC 360. The amendments are effective for annual periods beginning after December 15, 2027, and interim periods within those years, with early adoption permitted. Entities may apply the standard prospectively, modified-prospectively, or retrospectively. The Company is currently evaluating the impact of this guidance and does not expect the adoption to have a material effect on its consolidated financial statements.

In December 2025, the FASB issued ASU 2025-11, “Interim Reporting (Topic 270): Narrow-Scope Improvements”. The amendments clarify the scope of ASC 270, Interim Reporting, by specifying when an entity is subject to ASC 270 and by addressing the form and content of interim financial statements and related disclosure requirements. The ASU also consolidates into ASC 270 a list of interim disclosures required by other Topics and emphasizes that interim disclosures should focus on events and changes since the most recent annual reporting period that have a material effect on the entity. The amendments are effective for the Company for interim reporting periods within annual reporting periods beginning after December 15, 2027, and may be applied prospectively or retrospectively to any or all prior interim periods presented, with early adoption permitted. The Company is currently evaluating the impact of this guidance and does not expect the adoption to have a material effect on its consolidated financial statements.

In December 2025, the FASB issued ASU 2025-12, “Codification Improvements”, which makes technical corrections, clarifications, and other minor improvements to various Topics in the Codification, including guidance related to earnings per share, treasury stock, income taxes, and other areas. The amendments are intended to improve the consistency and clarity of U.S. GAAP without creating new substantive requirements. The amendments are effective for the Company for annual reporting periods beginning after December 15, 2026, and interim periods within those annual reporting periods, with early adoption permitted in both interim and annual periods. The Company is currently evaluating the impact of this guidance and does not expect the adoption to have a material effect on its consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03, “Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures” (Subtopic 220-40): Disaggregation of Income Statement Expenses, which requires public entities to provide additional detail on specific expense categories in the notes to the financial statements on both an interim and annual basis. In January 2025, the FASB issued ASU 2025-01, Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date, to clarify the effective date of the new guidance. The guidance is effective for the Company for fiscal years beginning after December 15, 2026, and for interim periods within annual reporting periods beginning after December 15, 2027, and may be applied on either a retrospective or prospective basis, with early adoption permitted. The Company is currently evaluating the impact of this guidance on its financial statement disclosures.

NOTE 4 - REVENUE RECOGNITION

Building Solutions Revenue Recognition. Within the Building Solutions segment, we service residential and commercial construction projects by manufacturing modular housing units and other products, supplying general contractors with building materials, and providing glue-laminated timber products (“glulam”) to distributors and end users. 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. Retail sales at Glenbrook are recognized at the point of sale. TT manufactures glulam for various end markets and applications, including agriculture, industrial, infrastructure, and building construction (commercial and residential). 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 is generally recognized at point in time upon delivery of product or over time by measuring progress towards completion. There are no contracts as of June 30, 2026 that are subject to over time recognition.

Business Services Revenue Recognition. We account for a contract when both parties to the contract have approved the contract, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable. Revenues are recognized over time or as services are delivered to customers, using an input or output method, as the control of the promised services is transferred to the client in an amount that reflects the consideration we expect to be entitled to in exchange for those services. The majority of our contracts are short-term in nature as they include termination clauses that allow either party to cancel within a short termination period, without cause. Revenue includes billable travel and other reimbursable costs and is reported net of sales or use taxes collected from clients and remitted to taxing authorities.

We generally determine standalone selling prices based on the prices included in our client contracts, using expected cost plus profit, or other observable prices. The price as specified in our client contracts is generally considered the standalone selling price as it is an observable input that depicts the price as if sold to a similar client in similar circumstances. Certain client contracts have variable consideration, including usage-based fees that increase the transaction price and volume rebates or other similar items that generally reduce the transaction price. We estimate variable consideration using the expected value method based on the terms of the client contract and historical evidence. These amounts may be constrained and are only included in revenue to the extent we do not expect a significant reversal when the uncertainty associated with the variable consideration is resolved. Other than bonuses to be paid to contractors, on behalf of our clients, our estimated amounts of variable consideration subject to constraints are not material, and we do not believe that there will be significant changes to our estimates. Certain contract employees are entitled to performance bonuses at the sole discretion of the client and are constrained until approved. No bonuses were approved and paid to our contract employees in the three and six months ended June 30, 2026 and 2025.

We record accounts receivable when our right to consideration becomes unconditional. Contract assets primarily relate to our rights to consideration for services provided that such rights to consideration are conditional on satisfaction of future performance obligations. A contract liability for deferred revenue is recorded when consideration is received, or is unconditionally due, from a client prior to transferring control of services to the client under the terms of a contract. Deferred revenue balances typically result from advance payments received from clients prior to transferring control of services. Other than deferred revenue, we do not have any material contract assets or liabilities as of and for the six months ended June 30, 2026 and 2025.

Payment terms vary by client and the services being provided to the client. We consider payment terms that exceed one year to be extended payment terms. Substantially all of the Company's contracts include payment terms of 90 days or less, and we do not extend payment terms beyond one year.

We primarily record revenue on a gross basis in the Condensed Consolidated Statements of Operations and Comprehensive Income based upon the following key factors:

- We maintain the direct contractual relationship with the client and are responsible for fulfilling the service promised to the client.
- We maintain control over our contractors while the services to the client are being performed, including our contractors' billing rates, and are ultimately responsible for paying them.

RPO. We provide complete recruitment outsourcing, project-based outsourcing, and recruitment consulting services for clients' permanent staff hires. We recognize revenue for our RPO over time in an amount that reflects the consideration we expect to be entitled to and have an enforceable right to payment in exchange for our services. The client simultaneously receives and consumes the benefits of the services as they are provided. The transaction prices contain both fixed fees and variable consideration. Variable consideration is constrained by candidates accepting offers of permanent employment. We recognize revenue on fixed fees as the performance obligations are satisfied and variable fees as the constraint is lifted. We do not incur incremental costs to obtain our RPO contracts. The costs to fulfill these contracts are expensed as incurred.

We recognize permanent placement revenue when employment candidates accept offers of permanent employment. We have a substantial history of estimating the financial impact of permanent placement candidates who do not remain with our clients through a guarantee period. Fees to clients are generally calculated as a percentage of the new employee's annual compensation. No fees for permanent placement services are charged to employment candidates.

Contracting. We provide clients with a range of outsourced professional contract staffing services and managed service provider services, sometimes offered on a standalone basis and sometimes offered as part of a blended total talent solution. We recognize revenue for our contracting services over time as services are performed in an amount that reflects the consideration we expect to be entitled to and have an enforceable right to payment in exchange for our services, which is generally calculated as hours worked multiplied by the agreed-upon hourly bill rate. The client simultaneously receives and consumes the benefits of the services as they are provided. We do not incur incremental costs to obtain our contracts for outsourced professional contract staffing services and managed service provider services. The costs incurred to fulfill these contracts are expensed as incurred.

Unsatisfied performance obligations. As a practical expedient, we do not disclose the value of unsatisfied performance obligations for (i) contracts with an expected original duration of one year or less and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed.

Energy Services Revenue Recognition. ADT is principally engaged in the business of renting drilling tools. We also sell new drilling tools, drilling parts, supplies, and used rental tools. In addition, ADT offers repair services to support its customers. Tools purchased for sale are recorded as inventory. Tools intended for rental are recorded as part of fixed assets. Equipment rental revenue is recognized on a straight-line basis over the length of the rental contract. New tools, parts, and supplies sales are recognized as revenue upon transfer of control, which generally occurs when products are picked up by or delivered to the customer. Repair services revenues are recognized in the period the services are provided. Upon the sale of other rental tools from fixed assets, we recognize a gain or loss on the sale in other (expense) income, net.

ADT’s equipment rental agreements generally contain provisions whereby should the rented tools or components provided to a customer be deemed to be irretrievably lost during drilling operations, commonly referred to as “lost-in-hole,” the Company has the right to receive reimbursement for such losses. Amounts billed to customers are at an agreed upon price relative to the specific piece of equipment, the revenue of which is recognized at the time the loss of the equipment is confirmed. The gross profit recognized from lost-in-hole transactions is normally calculated as the difference between the amounts billed to the customer and the net book value of the lost equipment. This gross profit is presented as a separate line item in the statement of cash flows under operating activities, and the cash received in connection with these activities is presented as an offset to cash purchases of property and equipment in the investing section of the statement of cash flows, to the extent it does not exceed the cash used for the purchases of the replacement equipment. Revenue recognized for the period ended June 30, 2026, totaled \$172. No significant lost-in-hole reimbursements were outstanding or contingent as of the end of the second quarter.

Billings in excess of costs and estimated profit. We recognize billings in excess of costs and estimated profit on uncompleted contracts within current liabilities. Such amounts relate to fixed-price contracts recognized over time, and represents payments in advance of performing the related contract work. Billings in excess of costs and estimated profit on uncompleted contracts are not considered to be a significant financing component because they are generally used to meet working capital demands that can be higher in the early stages of a contract. Contract liabilities are reduced when the associated revenue from the contract is recognized, which is generally within one year. There are no liabilities associated with billings in excess of costs at June 30, 2026.

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 these costs when the amortization period is one year or less. These costs primarily consist of internal sales commissions; under the terms of these programs these are generally earned and the costs are recognized at the time the associated revenue is recognized. As of June 30, 2026, there were no contract costs recognized.

Deferred Revenue. Deferred revenue represents customer deposits and advanced payments for contracts that are subject to point-in-time recognition, or payments received prior to transferring control of services to customers. We have determined our contracts do not include a significant financing component.

Changes in deferred revenue for the six months ended June 30, 2026 are as follows:

Balance at December 31, 2025	\$	1,496
Revenue recognized that was included in balance at beginning of the year		(1,271)
Deferred revenue, net, related to contracts entered into during the year		1,217
Balance at June 30, 2026	\$	1,442

Disaggregation of Revenue

The following tables present our revenue disaggregated by major source for the three and six months ended June 30, 2026 and 2025, respectively:

Three Months Ended June 30, 2026					
	Building Solutions	Business Services	Energy Services	Total	
Major Goods/Service Lines					
Revenue from RPO Customers	\$ -	\$ 17,079	\$ -	\$ 17,079	
Revenue from Contracting Customers	-	19,306	-	19,306	
Revenue from Other Contracts with Customers	14,612	-	3,944	18,556	
Total Revenues	\$ 14,612	\$ 36,385	\$ 3,944	\$ 54,941	
Timing of Revenue Recognition					
Services and goods transferred over time	\$ -	\$ 25,375	\$ 2,395	\$ 27,770	
Services and goods transferred at a point in time	14,612	11,010	1,549	27,171	
Total Revenues	\$ 14,612	\$ 36,385	\$ 3,944	\$ 54,941	
Six Months Ended June 30, 2026					
	Building Solutions	Business Services	Energy Services	Total	
Major Goods/Service Lines					
Revenue from RPO Customers	\$ -	\$ 33,903	\$ -	\$ 33,903	
Revenue from Contracting Customers	-	37,487	-	37,487	
Revenue from Other Contracts with Customers	26,210	-	7,402	33,612	
Total Revenues	\$ 26,210	\$ 71,390	\$ 7,402	\$ 105,002	
Timing of Revenue Recognition					
Services and goods transferred over time	\$ -	\$ 49,678	\$ 5,079	\$ 54,757	
Services and goods transferred at a point in time	26,210	21,712	2,323	50,245	
Total Revenues	\$ 26,210	\$ 71,390	\$ 7,402	\$ 105,002	
Three Months Ended June 30, 2025					
Business Services					
Major Goods/Service Lines					
Revenue from RPO Customers				\$ 17,428	
Revenue from Contracting Customers				18,113	
Total Revenues				\$ 35,541	
Timing of Revenue Recognition					
Services and goods transferred over time				\$ 25,535	
Services and goods transferred at a point in time				10,006	
Total Revenues				\$ 35,541	
Six Months Ended June 30, 2025					
Business Services					
Major Goods/Service Lines					
Revenue from RPO Customers				\$ 33,170	
Revenue from Contracting Customers				34,237	
Total Revenues				\$ 67,407	
Timing of Revenue Recognition					
Services and goods transferred over time				\$ 48,655	
Services and goods transferred at a point in time				18,752	
Total Revenues				\$ 67,407	

NOTE 5 - ACQUISITIONS

Star Operating Companies

On August 22, 2025, the Company completed its previously announced acquisition of SOC pursuant to the Agreement and Plan of Merger, dated as of May 21, 2025 (the “Merger Agreement”). This resulted in a business combination pursuant to ASC 805, *Business Combinations*.

The terms of the Merger Agreement determined consideration for the purchase as follows: at the Effective Time, (i) each share of common stock of SOC issued and outstanding immediately prior to the Effective Time (other than certain shares as set forth in the Merger Agreement) were automatically converted into the right to receive 0.23 shares of Company common stock and (ii) each share of preferred stock of SOC issued and outstanding immediately prior to the Effective Time (other than certain shares set forth in the Merger Agreement) were automatically converted into the right to receive one (1) share of Star 10% Series A Cumulative Perpetual preferred stock (“Preferred Stock”). As a result of the Merger, former SOC common stockholders received approximately 744,291 shares of Star common stock for their SOC common shares and former SOC preferred stockholders received approximately 2,690,637 shares of Star Preferred Stock. No fractional shares of Star common stock were issued in the Merger, and SOC stockholders became entitled to receive cash in lieu of fractional shares in accordance with the Merger Agreement. The total consideration paid for SOC, which represents the fair value of the common and preferred stock, totaled approximately \$32,174. Prior to the completion of the Merger Agreement, the Company determined that the Merger Agreement was in the best interests of the Company and for each of the Star and the SOC stockholders.

In accordance with ASC 805, Business Combinations, the Company accounted for this transaction as a business combination and recorded the acquired assets and assumed liabilities of SOC at their respective fair values as of the acquisition date. As of June 30, 2026, the purchase price allocation has been finalized, including the valuation of property and equipment, intangible assets, inventory, income taxes, and goodwill, among other items. The fair values of assets acquired and liabilities assumed were determined using valuation techniques consistent with ASC 820, Fair Value Measurement. These fair value measurements are considered nonrecurring and were determined as of the acquisition date. As noted in Note 2, Description of Business, SOC is reported as part of our Building Solutions, Energy Services, and Investments segments. The Company incurred transaction costs related to the SOC Acquisition of \$1,600 that were expensed as part of “Office and general”.

The following table sets forth the purchase price allocation of SOC to the estimated fair value of assets acquired as of the acquisition date:

	Fair Value
Assets Acquired:	
Cash and cash equivalents	\$ 4,641
Restricted cash, current	597
Investments in equity securities	2,561
Accounts receivable	11,463
Inventories, net	9,101
Note receivable, current portion	269
Prepaid and other	1,246
Property and equipment, net	17,959
Operating lease right-of-use assets	8,608
Long term investments	953
Notes receivable, net of current portion	8,473
Restricted cash, non-current	1,729
Assets Acquired	\$ 67,600
Liabilities Assumed:	
Current payables	3,203
Accrued salaries, commissions and benefits	2,165
Accrued expenses and other current liabilities	5,162
Short-term debt	6,042
Deferred revenue	3,609
Operating lease liabilities, current portion	228
Long-term debt, net of current portion	6,630
Operating lease liabilities, net of current portion	8,387
Liabilities Assumed	\$ 35,426
Fair value of consideration transferred	<u>\$ 32,174</u>

The Company’s Consolidated Statements of Operations for the three and six months ended June 30, 2026, included revenue of \$18,556 and \$33,612, and net loss of \$384 and \$2,633, respectively, from SOC.

The following represents certain information from the unaudited pro forma Condensed Consolidated Statement of Operations as if SOC had been included in the consolidated results of the Company for the three and six months ended June 30, 2025:

	Three Months Ended June 30, 2025	Six Months Ended June 30, 2025
<i>Pro-forma</i>		
Revenue	\$ 59,249	\$ 104,039
Gross profit	\$ 24,888	\$ 44,422
Net income (loss)	\$ 2,763	\$ (169)

Alpha Consulting Group Acquisition

On July 23, 2025, the Company announced that it had acquired Alpha Consulting Group (“ACG”) (“Seller”), a Japan-based provider of recruitment services. The acquisition of ACG represents the Company’s entry into the Japanese market as part of its localization strategy for its Business Services segment. In connection with the acquisition, the seller received total cash consideration of \$146, subject to certain adjustments at closing.

There were no earn-out payment arrangements associated with the transaction. The ACG acquisition was accounted for as a business combination under the acquisition method of accounting. The total purchase price of \$146 consisted of \$200 paid in cash, net of cash acquired of \$14, and a working capital adjustment of negative \$68. The purchase price was allocated to the net tangible and intangible assets and liabilities based on their estimated fair values as of the acquisition date, with the excess recorded as goodwill. The Company incurred \$11 of transaction costs related to the ACG Acquisition, which were expensed as part of “Office and general.”

The Company's Consolidated Statements of Operations for the three and six months ended June 30, 2026, included revenue of \$243 and \$471, and net loss of \$68 and \$151, respectively, from ACG.

Below is a summary of the fair value of the net assets acquired on the acquisition date:

	Fair Value
Assets Acquired:	
Cash and cash equivalents	\$ 10
Accounts receivable	29
Prepaid and other	5
Intangible assets	95
Goodwill	242
Restricted cash, non-current	4
Assets Acquired	\$ 385
Liabilities Assumed:	
Current payables	\$ 77
Accrued salaries, commissions and benefits	3
Accrued expenses and other current liabilities	126
Deferred tax liabilities	33
Liabilities Assumed	\$ 239
Fair value of consideration transferred	\$ 146

NOTE 6 - STOCK-BASED COMPENSATION

Incentive Compensation Plan

The Company maintains the Hudson Global, Inc. 2009 Incentive Stock and Awards Plan, as amended and restated on May 24, 2016 and further amended on September 14, 2020, May 17, 2022, and August 22, 2025 (the "ISAP"), pursuant to which it can issue equity-based compensation incentives to eligible participants. The ISAP permits the granting of stock options, restricted stock, restricted stock units, and other types of equity-based awards. The Compensation Committee (the "Compensation Committee") of the Board of Directors (the "Board") will establish such conditions as it deems appropriate for the granting or vesting of stock options, restricted stock, restricted stock units and other types of equity-based awards. As determined by the Compensation Committee, equity awards may also be subject to immediate vesting upon the occurrence of certain events including death, disability, retirement or a change in control of the Company. When we make grants of restricted stock or restricted stock units to our executive officers, including the named executive officers, we enter into Restricted Stock Agreements and Restricted Stock Unit Agreements with such executive officers that contain provisions that are triggered upon a termination of an executive officer or a change in control of our Company. For awards of restricted stock granted beginning on November 6, 2015, effective upon a change in control of our Company, if the executive is employed by us or an affiliate of ours immediately prior to the date of such change in control and is subsequently terminated within 12 months following the date of such change in control, the shares of restricted stock will fully vest and the restrictions imposed upon the restricted stock will be immediately deemed to have lapsed. For awards of restricted stock units granted beginning on March 10, 2016, effective upon a change in control of our Company, if the executive is employed by us or an affiliate of ours immediately prior to the date of such change in control and is subsequently terminated within 12 months following the date of such change in control, the restricted stock units will fully vest and the restrictions imposed upon the restricted stock units will be immediately deemed to have lapsed. The Company primarily grants restricted stock and restricted stock units to its employees. A restricted stock unit is equivalent to one share of the Company's common stock and is payable only in common stock of the Company issued under the ISAP.

The Compensation Committee administers the ISAP and may designate any of the following as a participant under the ISAP: any officer or other employee of the Company or its affiliates or individuals engaged to become an officer or employee, consultants or other independent contractors who provide services to the Company or its affiliates, and non-employee directors of the Company. On August 21, 2025, the Company's stockholders at the 2025 Annual Meeting of Stockholders approved amendments to the ISAP to, among other things, increase the number of shares of the Company's common stock that are reserved for issuance by 400,000 shares and to permit the issuance of 175,000 shares of the Company's preferred stock. As of June 30, 2026, there were 66,167 shares of the Company's common stock and 140,320 of shares of preferred stock available for future issuance under the ISAP, respectively.

All share issuances related to stock compensation plans are issued from the aforementioned stock available for future issuance under stockholder approved compensation plan.

In February 2026, the Compensation Committee approved the Company's 2026 long-term incentive program (the "2026 LTIP") under the ISAP. The 2026 LTIP is intended to incent long-term shareholder value creation over a three-year performance period from January 1, 2026 through December 31, 2028 and provides for awards in the form of restricted stock units ("RSUs") that may be earned based on the achievement of pre-established performance goals and continued service. Awards under the 2026 LTIP are currently denominated in the Company's common stock; no preferred stock has been issued in connection with the 2026 LTIP.

For the six months ended June 30, 2026, the Company granted a total of 296,648 RSUs to employees, comprised of: (i) 111,239 performance-based RSUs subject to performance conditions; (ii) 140,178 performance-based RSUs granted under the 2026 LTIP for the three-year period; and (iii) 45,231 time-vested RSUs not subject to performance conditions. The 45,231 time-vested RSUs vest on the first anniversary of the grant date, with each RSU representing the right to receive one share of the Company's common stock upon settlement.

For the six months ended June 30, 2025, the Company granted 48,688 restricted stock units subject to performance vesting conditions for the year ended December 31, 2025. In connection with the merger completed on August 22, 2025, the Company converted unvested RSU awards previously granted under SOC's equity incentive plans using an exchange ratio of 0.23 shares of the Company's common stock for each SOC share. As of the merger date, the assumed awards consisted of 22,717 performance-based RSUs and 6,046 time-based RSUs. These assumed awards remain subject to their original vesting terms and conditions and are recognized as part of the Company's ongoing stock-based compensation expense.

A summary of the quantity and vesting conditions for stock-based units granted to the Company's employees for the six months ended June 30, 2026 was as follows:

Vesting conditions	Number of Restricted Stock Units Granted
Performance and service conditions - Type 1 ^{(1) (3)}	10,695
Performance and service conditions - Type 1 ^{(2) (3)}	240,722
Service conditions only - Type 2 ⁽⁴⁾	45,231
Total shares of stock award granted	<u>296,648</u>

1. The performance conditions with respect to restricted stock units may be satisfied as follows:

a. For grants to Corporate office employees subject to 2025 performance conditions, 100% of the restricted stock units may be earned on the basis of performance as measured by a group adjusted EBITDA.

2. The performance conditions with respect to restricted stock units may be satisfied as follows:

a. For grants to Corporate office employees subject to 2026 performance conditions, 100% of the restricted stock units may be earned on the basis of performance as measured by a group adjusted EBITDA, corporate costs, and other qualitative factors.

3. To the extent restricted stock units are earned, such restricted stock units will vest on the basis of service as follows:

a. 33% for Type 1 of the restricted stock units will vest on the first anniversary of the grant date;

b. 33% for Type 1 of the restricted stock units will vest on the second anniversary of the grant date; and

c. 34% for Type 1 of the restricted stock units will vest on the third anniversary of the grant date; provided that, in each case, the employee remains employed by the Company from the grant date through the applicable service vesting date.

4. To the extent restricted stock units are earned, such restricted stock units will vest on the basis of service as follows:

a. 100% for Type 2 of the restricted stock units will vest on the first anniversary of the grant date.

The Company also maintains the Director Deferred Share Plan (the "Director Plan") as part of the ISAP pursuant to which it can issue restricted stock units to its non-employee directors. A restricted stock unit is equivalent to one share of the Company's common stock, and prior to the acquisition of SOC were payable in common stock issued under the ISAP upon a director ceasing service as a member of the Company's Board. Restricted stock units granted to directors vest over one year. Restricted stock units issued under the Director Plan contain the right to a dividend equivalent award in the form of additional restricted stock units. The dividend equivalent award is calculated using the same rate as the cash dividend paid on a share of the Company's common stock, and then divided by the closing price of the Company's common stock on the date the dividend is paid to determine the number of additional restricted stock units to grant. Dividend equivalent awards have the same vesting terms as the underlying awards. During the six months ended June 30, 2026, the Company granted a total of 33,024 RSUs to its non-employee directors.

As of June 30, 2026, 4,301 restricted stock units are deferred under the Company's ISAP.

For the three and six months ended June 30, 2026 and 2025, the Company's stock-based compensation expense related to restricted stock units and restricted shares of common stock were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Restricted stock units	707	243	1,191	629

Restricted Stock Units

As of June 30, 2026, the Company had \$3,501 of unrecognized stock-based compensation expense related to outstanding unvested restricted stock units. The Company expects to recognize that cost over a weighted average service period of 1.0 years. Restricted stock units have no voting or dividend rights until the awards are vested.

Changes in the Company's restricted stock units for the six months ended June 30, 2026 and 2025 were as follows:

	Six Months Ended June 30, 2026					
	Performance-based		Time-based/Director		Total	
	Number of Shares of Restricted Stock Units	Weighted Average Grant-Date Fair Value	Number of Shares of Restricted Stock Units	Weighted Average Grant-Date Fair Value	Number of Shares of Restricted Stock Units	Weighted Average Grant-Date Fair Value
Unvested restricted stock units at January 1, 2026	62,266	\$ 13.64	197,485	\$ 11.75	259,751	\$ 12.20
Granted	251,417	\$ 9.91	45,231	\$ 11.39	296,648	\$ 10.14
Vested	(17,118)	\$ 13.14	(7,007)	\$ 15.07	(24,125)	\$ 13.70
Forfeited	(23,508)	\$ 13.16	-	\$ -	(23,508)	\$ 13.16
Unvested restricted stock units at June 30, 2026	<u>273,057</u>	<u>\$ 10.28</u>	<u>235,709</u>	<u>\$ 11.58</u>	<u>508,766</u>	<u>\$ 10.88</u>

(a) The number of shares earned above target are based on the performance target established by the Compensation Committee at the initial grant date.

	Six Months Ended June 30, 2025					
	Performance-based		Time-based/Director		Total	
	Number of Shares of Restricted Stock Units	Weighted Average Grant-Date Fair Value	Number of Shares of Restricted Stock Units	Weighted Average Grant-Date Fair Value	Number of Shares of Restricted Stock Units	Weighted Average Grant-Date Fair Value
Unvested restricted stock units at January 1, 2025	55,591	\$ 17.58	128,474	\$ 14.96	184,065	\$ 15.75
Granted	48,688	\$ 13.15	7,868	\$ 10.04	56,556	\$ 12.72
Vested	(7,280)	\$ 35.57	(11,522)	\$ 12.46	(18,802)	\$ 21.41
Forfeited	(48,311)	\$ 14.87	(3,264)	\$ 20.97	(51,575)	\$ 15.26
Unvested restricted stock units at June 30, 2025	<u>48,688</u>	<u>\$ 13.15</u>	<u>121,556</u>	<u>\$ 14.72</u>	<u>170,244</u>	<u>\$ 14.27</u>

(a) The number of shares earned above target are based on the performance target established by the

NOTE 7 - INCOME TAXES

Income Tax Provision

Under ASC 270, “Interim Reporting”, and ASC 740-270, “Income Taxes - Interim Reporting”, the Company is required to adjust its effective tax rate for each quarter to be consistent with the estimated annual effective tax rate. Jurisdictions with a projected loss for the full year where no tax benefit can be recognized are excluded from the calculation of the estimated annual effective tax rate. Applying the provisions of ASC 270 and ASC 740-270 could result in a higher or lower effective tax rate during a particular quarter, based upon the mix and timing of actual earnings versus annual projections.

Effective Tax Rate

The provision for income taxes for the six months ended June 30, 2026 was \$4 on a pre-tax loss of \$5,637, compared to a provision for income taxes of \$377 on pre-tax loss of \$2,067 for the same period in 2025. The Company’s effective income tax rate (“ETR”) was negative 0.08% and negative 18% for the six months ended June 30, 2026 and 2025, respectively. For the six months ended June 30, 2026, the effective tax rates differed from the U.S. Federal statutory rate of 21% primarily due to pretax losses for which no tax benefit can be recognized, foreign tax rate differences, and non-deductible expenses. For the six months ended June 30, 2025, the effective tax rates differed from the U.S. Federal statutory rate of 21% primarily due to pretax losses for which no tax benefit can be recognized, foreign tax rate differences, and non-deductible expenses. The current year-to-date effective tax rate differs significantly from the prior period effective tax rate primarily due to the interaction of rate reconciliation items, including changes in valuation allowance.

Uncertain Tax Positions

As of both June 30, 2026 and December 31, 2025, the Company had \$60, respectively, of unrecognized tax benefits, excluding interest and penalties, which, if recognized in the future, would lower the Company’s effective income tax rate.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits as part of the provision for income taxes. As of June 30, 2026 and December 31, 2025, the Company had \$41 and \$39, respectively, of accrued interest and penalties associated with unrecognized tax benefits.

In many cases, the Company’s unrecognized tax benefits are related to tax years that remain subject to examination by the relevant tax authorities. Tax years with net operating losses (“NOLs”) remain open until such losses expire or until the statutes of limitations for those years when the NOLs are used expire. As of June 30, 2026, the Company’s open tax years, which remain subject to examination by the relevant tax authorities, are between 2016 and 2026 depending on the jurisdiction.

The Company believes that its unrecognized tax benefits as of June 30, 2026 are appropriately reflected for all years subject to examination above.

Net Operating Losses (“NOLs”), Capital Losses, and Valuation Allowance

The Company recorded a valuation allowance against all of our consolidated US deferred tax assets for NOLs and Capital Losses as of June 30, 2026 and December 31, 2025. We intend to continue maintaining a full valuation allowance on our deferred tax assets for NOLs until there is sufficient evidence to support the reversal of all or some portion of these allowances in the future.

NOTE 8 - ACCOUNTS RECEIVABLE, NET

Within our Building Solutions and Energy Services segments, accounts receivable consist principally of trade receivables from customers. These are recorded at the invoiced amount and are generally unsecured and due within 30 days. Trade receivables do not bear interest. We use an expected loss methodology. This methodology includes information about past events, current economic conditions and reasonable and supportable forecasts that impact the collectability of the reported amounts of the receivables over their lifetime. Within the Current Expected Credit Losses (“CECL”) guidelines, we utilize a “probability of default” methodology to determine expected credit losses under the CECL model. Account balances are charged off against the allowance when we believe it is probable the receivable will not be recovered. Our “probability of default” methodology principally entails evaluating the collectability of our trade receivables and providing reserves for doubtful accounts based on our historical experience rate, known collectability issues and disputes, and our bad debt write-off history. Within our Business Services segment, accounts receivable balances are composed of trade and unbilled receivables. Unbilled accounts receivable represent revenue recorded in advance of processing formal invoices pursuant to the completion of contract provisions and, generally, become billable at contractually specified dates.

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 Condensed Consolidated Balance Sheets, and the related provision for doubtful accounts is charged to office and general expenses. We do not have any off-balance sheet credit exposure related to our customers.

Unbilled receivables of \$4,042 and \$6,960 as of June 30, 2026 and December 31, 2025, respectively, are expected to be invoiced and collected within one year. The Company records accounts receivable when its right to consideration becomes unconditional. Contract assets primarily relate to our rights to consideration for services provided that are conditioned on satisfaction of future performance obligations. Accounts receivable, net, are stated at the amount the Company expects to collect, which is net of estimated losses resulting from the inability of its customers to make required payments.

The following table summarizes the components of “Accounts receivable, net” as presented on the Condensed Consolidated Balance Sheets:

	June 30,	December 31,
	2026	2025
Accounts Receivable:		
Billed receivables	\$ 31,187	\$ 28,535
Unbilled receivables	4,042	6,960
Accounts Receivable, Gross	35,229	35,495
Allowance for expected credit losses	(289)	(275)
Accounts Receivable, Net	\$ 34,940	\$ 35,220

The following table summarizes the total provision for expected credit losses and write-offs:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Beginning balance	\$ 310	\$ 227	\$ 275	\$ 391
Provision for expected credit losses	158	13	209	19
Write-offs	(179)	(35)	(195)	(205)
Ending Balance	<u>\$ 289</u>	<u>\$ 205</u>	<u>\$ 289</u>	<u>\$ 205</u>

NOTE 9 - DEBT

A summary of debt outstanding as of June 30, 2026 and December 31, 2025 is as follows:

	June 30, 2026		December 31, 2025	
	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
Revolving Credit Facility - KeyBank KBS	\$ 682	6.68%	\$ -	-%
Revolving Credit Facility - Premier EBGL	3,439	7.25%	3,969	7.25%
Revolving Credit Facility - Austin ADT	1,457	9.25%	1,205	9.25%
Revolving Credit Facility - NAB	1,470	7.86%	1,385	7.36%
Total Short-term Revolving Credit Facilities	<u>7,048</u>	<u>7.74%</u>	<u>6,559</u>	<u>7.64%</u>
Austin - ADT Term Loan	160	9.25%	160	9.25%
Term Loan Secured by Mortgage	354	7.50%	354	7.50%
Bridgewater - TT Term Loan	1,400	7.85%	1,400	7.85%
Total Short-term Debt	<u>8,962</u>	<u>7.77%</u>	<u>8,473</u>	<u>7.70%</u>
Austin - ADT Term Loan, net of current portion	280	9.25%	359	9.25%
Term Loan Secured by Mortgage, net of current portion	2,166	7.50%	2,320	7.50%
Bridgewater - TT Term Loan, net of current portion	2,677	7.85%	3,377	7.85%
Long Term Debt, net of current portion	<u>5,123</u>	<u>7.78%</u>	<u>6,056</u>	<u>7.80%</u>
Total Debt	<u>\$ 14,085</u>	<u>7.77%</u>	<u>\$ 14,529</u>	<u>7.74%</u>

Austin Loan Agreement

On March 3, 2025, ADT entered into a Loan and Security Agreement (the “Austin Loan Agreement”) with Austin Financial Services, Inc. (“Austin” or “AFS”) providing ADT with a working capital line of credit of up to \$3,000 and a term loan originally proposed of up to \$800, subject to the conditions and procedures set forth in the Austin Loan Agreement. Availability under the Austin Loan Agreement is based on a formula tied to ADT’s eligible accounts receivable, inventory, and equipment, and borrowings bear interest at the prime rate plus 1.75%, with interest payable monthly and the outstanding principal balance payable March 3, 2028 (the “Maturity Date”). Based on AFS’s appraisal of ADT’s machinery and equipment, AFS reduced the term loan commitment to \$638. The Austin Loan Agreement also provides for certain fees payable to Austin during its term. The term loan payment is approximately \$13 per month. The loan is secured by substantially all of the assets of ADT and is subject to certain covenants. Under the terms of the AFS loan agreement, the Company is required to provide various financial and collateral reports to the lender on a regular basis. These reports include weekly availability and cash activity summaries, monthly accounts receivable and accounts payable agings, inventory reports, balance sheets, and income statements, as well as annual financial statements reviewed by an independent CPA, if requested. The Company must also provide any additional financial or operational information upon the lender’s request.

There are no specific financial covenants related to ratios, thresholds, or performance metrics under the AFS facility. However, failure to timely submit the required financial reports constitutes an event of default under the loan agreement.

Premier Facility

On August 16, 2023, EdgeBuilder and Glenbrook (referred to herein as the “EBGL Borrowers”), entered into a Revolving Credit Loan Agreement with Premier Bank (“Premier”), which was subsequently amended on December 5, 2023 to provide the EBGL Borrowers with a working capital line of credit of up to \$6,000 (the “Premier Loan Agreement”). Availability under the Premier Loan Agreement is based on a formula tied to the EBGL Borrowers’ eligible accounts receivable, inventory, and equipment. Borrowings under the Premier Loan Agreement bear interest at the prime rate plus 0.50% (and a minimum interest rate of 6.75%), 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 expired on December 5, 2024 but may be extended from time to time at the request of the EBGL Borrowers, subject to approval by Premier. The term of the Premier Loan Agreement has been extended to December 5, 2026. The EBGL Borrowers’ obligations under the Premier Loan Agreement are guaranteed by the Company and secured by all of their inventory, equipment, accounts receivable, and other intangibles. As of June 30, 2026, availability under the Premier Loan Agreement was approximately \$2,397. Premier holds \$600 of restricted cash associated with the Premier Facility.

Financial covenants associated with the Premier Loan Agreement require that at the end of each calendar year the EBGL Borrowers maintain (a) a debt service coverage ratio for any calendar year of greater than 1.25; (b) a debt-to-equity ratio of less than 1.65; (c) a fixed charge coverage ratio of greater than 1.10; (d) working capital of at least \$2 million; and (e) a current ratio of at least 1.50. As of December 31, 2025, the EBGL Borrowers were in compliance with the Premier Loan Agreement covenants.

KeyBank Facility

On April 24, 2024, KBS entered into a Loan and Security Agreement (the “KeyBank Loan Agreement”) with KeyBank National Association (“KeyBank”) providing KBS with a working capital line of credit of up to \$4.0 million, subject to the conditions and procedures set forth in the KeyBank Loan Agreement. All borrowings under the KeyBank Loan Agreement bear interest at the Adjusted Daily SOFR Rate (as defined in the KeyBank Loan Agreement) plus 3%, with interest payable monthly and the outstanding principal balance payable on April 30, 2025 (the “Maturity Date”). The KeyBank Loan Agreement expires on the Maturity Date but may be extended from time to time at the request of KBS, subject to approval by KeyBank. SOC signed an extension on July 29, 2025 extending the Maturity Date to July 29, 2026. The Company signed a further extension on July 31, 2026 extending the Maturity Date to October 27, 2026. The KeyBank Loan Agreement also provides for certain fees payable to KeyBank. KBS’ obligations under the KeyBank Loan Agreement are guaranteed by SOC and secured by all of KBS’ inventory, equipment, accounts and other intangibles, if applicable, and all proceeds of the foregoing. Simultaneous with the execution of the KeyBank Loan Agreement, SOC entered into that certain Guaranty, dated April 24, 2024 (the “Guaranty”), pursuant to which SOC agreed to guarantee all amounts borrowed by KBS under the KeyBank Loan Agreement.

The KeyBank Loan Agreement requires that KBS maintain a ratio of its Operating Cash Flow to its Total Fixed Charges of at least 1.25 to 1.00, measured quarterly (the “FCCR Covenant”). KBS did not meet the FCCR Covenant as of June 30, 2026. The Company has requested a waiver from KeyBank. Amounts outstanding under the KeyBank Loan Agreement are classified as current liabilities in the condensed consolidated balance sheets. The availability under the line of credit was \$3,318 as of June 30, 2026.

Term Loan Secured by Mortgage

On June 28, 2024, in connection with SOC’s acquisition of substantially all of the assets used in the business of Timber Technologies, Inc. which closed on May 17, 2024, Timber Properties, LLC (“Timber Properties”), an affiliate of the Seller, sold to 106 Bremer, LLC, a wholly owned subsidiary of the Company (“106 Bremer”), all of Timber Properties’ Owned Real Property pursuant to a Real Estate Sales Agreement for \$3,000 plus closing costs.

In connection with the purchase of the Owned Real Property, on June 28, 2024, 106 Bremer issued a Promissory Note in the principal amount of \$3,000 (the “TT Property Note”) secured by a Mortgage (the “TT Property Mortgage”) on the Owned Real Property to Timber Properties. All borrowings under the TT Property Note bear interest at 7.50%, with interest payable quarterly and the outstanding principal balance payable on June 29, 2034.

Bridgewater Facility

In connection with the completion of the TT Acquisition, on May 17, 2024, Timber Technologies Solutions, Inc., a wholly owned subsidiary of SOC, (the “Borrower”), entered into a Loan Agreement (the “Bridgewater Loan Agreement”) with Bridgewater Bank (“Bridgewater”) and issued a Term Promissory Note to Bridgewater in the amount of \$7,000 thereunder (the “Facility”). All borrowings under the Facility bear interest at 7.85%, with interest payable monthly and the outstanding principal balance payable on May 20, 2029 (the “Maturity Date”). The Bridgewater Loan Agreement also provides for certain fees payable to Bridgewater during its term. The Borrower’s obligations under the Facility are guaranteed by the Company and secured by all of the Borrower’s inventory, equipment, accounts receivable, and other intangibles.

In connection with the Bridgewater Loan agreement, an amount of \$1,000 was required to be deposited with Bridgewater and be under the sole dominion and control of Bridgewater, and SOC shall not have any control over the use of, or any right to withdraw any amount of the restricted deposit. In the event that SOC maintains compliance with all of the financial covenants set forth in the Bridgewater Loan Agreement for four consecutive measurement dates, Bridgewater shall release a portion of the deposit. As of June 30, 2026, Bridgewater has released \$500. The remaining \$500 deposit is recorded in Restricted cash, non current in the Condensed Consolidated Balance Sheets.

Financial covenants require that TT maintain (i) a ratio of Cash Flow to Total Fixed Charges of not less than 1.30 to 1.00 as measured on each applicable Measurement Date on a trailing twelve (12) month basis; (ii) maintain a ratio of Senior Funded Debt to trailing twelve (12) month Adjusted EBITDA not to exceed 3.00 to 1.00 as measured on each applicable Measurement Date for a Measurement Period; (iii) maintain a ratio of Total Funded Debt to trailing twelve (12) month Adjusted EBITDA not to exceed 4.00 to 1.00 as measured on each applicable Measurement Date for a Measurement Period. TT was in compliance with its covenants as of June 30, 2026.

Invoice Finance Credit Facility

On April 8, 2019, the Company’s Australian subsidiary (“Australian Borrower”) entered into an invoice finance credit facility agreement (the “NAB Facility Agreement”) with National Australia Bank Limited (“NAB”). The NAB Facility Agreement provides the Australian Borrower with the ability to borrow funds based on a percentage of eligible trade receivables up to a maximum of 4 million Australian dollars. No receivables have terms greater than 90 days, and any risk of loss is retained by the Australian Borrower. The interest rate is calculated as the variable receivable finance indicator rate, plus a margin of 1.60% per annum. Borrowings under this facility are secured by substantially all of the assets of the Australian Borrower. The NAB Facility Agreement does not have a stated maturity date and can be terminated by either the Australian Borrower or NAB upon 90 days written notice. As of June 30, 2026, there was \$1,470 outstanding under the NAB Facility Agreement. Interest expense and fees incurred on the NAB Facility Agreement were \$35 and \$64 for the three and six months ended June 30, 2026, and \$4 and \$8 for the three and six months ended June 30, 2025, respectively.

The NAB Facility Agreement contains various restrictions and covenants for the Australian Borrower including (1) that EBITDA must be at least two times total interest paid on debt on a 12-month rolling basis; (2) minimum tangible net worth must be at least 2.5 million Australian dollars and be equal to at least 25% of total tangible assets on June 30 and December 31 (as defined in the NAB Facility Agreement); and (3) additional periodic reporting requirements to NAB. The Australian Borrower was in compliance with all financial covenants under the NAB Facility Agreement as of June 30, 2026.

Amounts borrowed from the NAB Facility may be large, contain short maturities and have quick turnovers. Amounts borrowed and repaid are presented on a net basis on the Condensed Consolidated Statements of Cash Flows.

NOTE 10 - 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 20 years. Some of the leases include options to extend the leases and some include options to terminate the lease within 1 year. Operating leases and finance leases are included separately in the Condensed Consolidated Balance Sheets.

On December 16, 2025, ADT entered into three purchase and sale agreements with Custom Capital Strategies, Inc. ("Custom Capital"), pursuant to which the parties agreed to consummate three sale and leaseback transactions of three different properties in Texas, Utah, and Wyoming.

On February 27, 2026, the property located at 101-107 Pasture Drive, Evanston, Wyoming, was sold for a total purchase price of \$1.7 million, subject to adjustment for taxes and other charges and assessments. Thereafter, Custom Capital assigned their rights to buy the property to their affiliate, Pasture Drive Holdings, LLC (the "ADT Wyoming Buyer").

On March 27, 2026 the property located at 3601 N County Rd 1148, Midland, Texas, was sold for a total purchase price of \$1.1 million, and the property located at 1377 East 1500 South, Vernal, Utah was sold for a total purchase price of \$0.6 million. Both purchase prices are subject to adjustment for taxes and other charges and assessments. Immediately prior to the closings Custom Capital assigned their rights to buy the property to, Alliance Texas and Utah, LLC (the "ADT Property Buyer").

Simultaneously with the consummation of the above sales, ADT entered into three commercial single-tenant triple net leases with the ADT Wyoming Buyer and the ADT Property Buyer, guaranteed by the Company, pursuant to which ADT leased back from the ADT Wyoming Buyer and the ADT Property Buyer the above properties sold for terms commencing on February 27, 2026 and on March 27, 2026, respectively, and ending on the 20th anniversaries thereof, unless earlier terminated or extended for four additional five year periods. Pursuant to the terms of the lease agreements, ADT will be responsible for rent and all monthly expenses related to the properties, including insurance premiums, taxes, utilities, and other expenses.

These sale leasebacks meet the qualification of operating leases under ASC 842, "Leases" in that (i) they do not automatically transfer title to the lessee at the end of the lease term; (ii) they do not contain a bargain purchase option; (iii) the lease term is not for a major part of the estimated remaining useful life of the asset; (iv) the present value of the lease payments does not represent substantially all of the fair value of the underlying assets; and (v) the underlying assets are not of such a specialized nature that are assumed to have no alternative use to the lessor at the end of the lease term. Accordingly, the Company recognized the resulting gain on sale of \$37 in full in "Other income (expense), net" in the period in which the buyer obtained control of the assets, representing the excess of the aggregate sale proceeds of \$3,211 net of closing fees over the aggregate carrying value of the properties of \$3,174, and no portion of the gain was deferred. The related right-of-use assets and lease liabilities arising from the sale leasebacks are accounted for in accordance with ASC 842 and are presented within operating lease right-of-use assets and operating lease liabilities on the Condensed Consolidated Balance Sheets.

We used our incremental borrowing rate as the discount rate for these sale leaseback transactions, as the rate implicit in the lease is not readily determinable. We estimated our incremental borrowing rate based on our Company credit rating, adjusted for the lease's term and the collateralized nature of the lease obligations. Lease extensions are not reasonably certain of being exercised. As such, we have not included such extensions in determining our incremental borrowing rate or in our initial valuation of the lease assets and liabilities.

The components of lease expense are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Operating lease cost	\$ 796	\$ 291	\$ 1,508	\$ 575
Finance lease cost:				
Amortization of finance lease assets	\$ 9	\$ -	\$ 19	\$ -
Interest on finance lease liabilities	-	-	-	-
Total finance lease cost	\$ 9	\$ -	\$ 19	\$ -

Supplemental cash flow information related to leases was as follows:

	Six months Ended June 30,	
	2026	2025
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 1,077	\$ 402
Financing cash flows from finance leases	\$ 9	N/A
Right-of-use assets obtained in exchange for lease obligations		
Operating leases	\$ 2,494	\$ 361

Supplemental balance sheet information related to leases was as follows:

	June 30, 2026	December 31, 2025
Weighted average remaining lease term (in years)		
Operating leases	14.8	13.8
Finance leases	0.6	0.9
Weighted average discount rate		
Operating leases	12.69%	12.80%
Finance leases	5.72%	5.76%

We are committed to making future cash payments on non-cancelable operating leases and finance leases (including interest). The future minimum lease payments due under both non-cancelable operating leases and finance leases having initial or remaining lease terms in excess of one year as of June 30, 2026 were as follows:

	Operating Leases	Finance Leases
2026 (for the remainder of the year)	\$ 1,271	\$ 6
2027	2,348	1
2028	2,095	-
2029	2,107	-
2030	1,922	-
2031 and thereafter	24,814	-
Total future minimum lease payments	34,557	7
Less amounts representing interest	(20,452)	-
Present value of lease obligations	\$ 14,105	\$ 7

NOTE 11 - GOODWILL AND INTANGIBLE ASSETS

Goodwill

For the six months ended June 30, 2026 and the twelve months ended December 31, 2025, the changes in carrying amount of goodwill were as follows:

	Carrying Value 2026
Goodwill, January 1,	\$ 5,944
Currency translation	(45)
Goodwill, June 30, 2026	\$ 5,899
	Carrying Value 2025
Goodwill, January 1,	\$ 5,703
Acquisitions	242
Currency translation	(1)
Goodwill, December 31, 2025	\$ 5,944

Intangible Assets

The Company’s intangible assets consisted of the following components as of June 30, 2026 and December 31, 2025:

	Weighted Average Remaining Amortization Useful Lives (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
June 30, 2026				
Non-compete agreements	2.2	\$ 145	\$ (130)	\$ 15
Trade name	5.0	1,658	(1,006)	652
Customer lists	1.3	4,012	(3,324)	688
Developed technology	-	657	(657)	-
		\$ 6,472	\$ (5,117)	\$ 1,355

	Weighted Average Remaining Amortization Useful Lives (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
December 31, 2025				
Non-compete agreements	2.7	\$ 147	\$ (133)	\$ 14
Trade name	5.4	1,662	(933)	729
Customer lists	1.8	4,017	(3,072)	945
Developed technology	-	657	(657)	-
		\$ 6,483	\$ (4,795)	\$ 1,688

Amortization expense for the three and six months ended June 30, 2026 was \$170 and \$329, respectively. Intangible assets are amortized on a straight-line basis over their estimated useful lives. No impairment in the value of amortizable intangible assets was recognized during the six months ended June 30, 2026 and 2025.

Estimated future amortization expense for intangible assets for the remainder of the fiscal year ending December 31, 2026, and for each of the next fiscal years are as follows:

2026	\$ 339
2027	574
2028	130
2029	110
2030	110
Thereafter	92
	\$ 1,355

The change in the book value of amortizable intangible assets is as follows:

	January 1, 2026 Beginning Balance	Acquisition	Amortization	Translation and Other	June 30, 2026 Ending Balance
Non-compete agreements	\$ 14	\$ -	\$ (1)	\$ 2	\$ 15
Trade name	729	-	(74)	(3)	652
Customer lists	945	-	(254)	(3)	688
	<u>\$ 1,688</u>	<u>\$ -</u>	<u>\$ (329)</u>	<u>\$ (4)</u>	<u>\$ 1,355</u>

NOTE 12 - FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board's authoritative guidance for fair value measurements establishes a three-level hierarchy based upon the inputs to the valuation model of an asset or liability. Assets and liabilities presented at fair value in our Condensed 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 and liabilities that were recorded at fair value as of June 30, 2026:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Fair Value as of June 30, 2026			
	Level 1	Level 2	Level 3	Total
Assets (Liabilities):				
Equity securities	\$ 4,262	\$ -	\$ -	\$ 4,262
Total	<u>\$ 4,262</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,262</u>

	Fair Value as of December 31, 2025			
	Level 1	Level 2	Level 3	Total
Assets (Liabilities):				
Equity securities	\$ 3,767	\$ -	\$ -	\$ 3,767
Total	<u>\$ 3,767</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,767</u>

The table below presents a reconciliation for Level 3 liabilities for the period ended December 31, 2025. The Level 3 liabilities consist of an earnout liability associated with SOC's acquisition of Big Lake Lumber ("BLL") in 2023. The change in the Level 3 liability during the period was primarily due to net payments.

	2025
Acquisition value at August 22, 2025	\$ 201
Net reductions (payments)	(201)
Balance as at December 31, 2025	<u>\$ -</u>

Assets and Liabilities Measured at Fair Value on a Non-recurring Basis

Certain assets acquired and liabilities assumed in connection with the SOC acquisition were measured at fair value on a nonrecurring basis as of the acquisition date.

Additional information regarding the valuation methodologies and assumptions used in determining these fair values is included in Note 5 - Acquisitions, which presents the allocation of purchase consideration and related fair value measurements required under ASC 805, Business Combinations.

No other assets or liabilities were measured at fair value on a nonrecurring basis during the period.

Equity Securities

The investment in equity securities consists of common stock of publicly traded companies. The fair value of these securities is based on the closing prices observed on June 30, 2026, and is recorded in "Investments in equity securities" in the Condensed Consolidated Balance Sheets.

Gains and losses from investments in equity securities are recorded in other income (expense) in the Condensed Consolidated Statements of Operations and included the following for the period ended June 30, 2026.

	Three Months Ended June 30, 2026	Six Months Ended June 30, 2026
Unrealized loss on equity securities	\$ (668)	\$ (945)
Unrealized gain on equity securities	314	569
Realized gain on equity securities	316	496
Total (loss) gain on equity securities	<u>\$ (38)</u>	<u>\$ 120</u>

Lumber Derivative Contracts

We may enter into lumber derivative contracts in order to protect our gross profit margins from fluctuations caused by lumber price volatility. Such contracts, which are generally entered into to protect the gross margins on our wall panel contracts at EdgeBuilder and Glenbrook Building Supply, Inc. ("Glenbrook" and referred to jointly with EdgeBuilder as "EBGL"), are recorded within current assets or liabilities in the Condensed Consolidated Balance Sheets. As of June 30, 2026, we did not have any lumber derivatives contracts open.

Gains and losses from lumber derivative contracts are recorded in the cost of revenues in the Condensed Consolidated Statements of Operations. There were no unrealized or realized gains or losses on lumber derivatives for the three and six months ended June 30, 2026.

NOTE 13 - NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS

Basic loss per share is computed by dividing the Company's net loss attributable to common shareholders by the weighted average number of shares outstanding during the period. When the effects are not anti-dilutive, diluted loss per share is computed by dividing the Company's net loss attributable to common shareholders by the weighted average number of shares outstanding and the impact of all dilutive potential common shares, primarily stock options "in-the-money", unvested restricted stock, and unvested restricted stock units. We have not allocated net income (loss) attributable to warrants because the holders of our warrants are not contractually obligated to share in our income (loss). The dilutive impact of stock options, unvested restricted stock, and unvested restricted stock units is determined by applying the "treasury stock" method. Performance-based restricted stock awards are included in the computation of diluted loss per share only to the extent that the underlying performance conditions: (i) are satisfied prior to the end of the reporting period; or (ii) would be satisfied if the end of the reporting period were the end of the related performance period and the result would be dilutive under the treasury stock method. Stock awards subject to vesting or exercisability based on the achievement of market conditions are included in the computation of diluted earnings per share only when the market conditions are met.

A reconciliation of the numerators and denominators of the basic and diluted loss per share calculations for the three and six months ended June 30, 2026 and 2025 was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Loss per share attributable to common shareholders ("EPS"):				
Basic	\$ (0.66)	\$ (0.23)	\$ (1.84)	\$ (0.82)
Diluted	\$ (0.66)	\$ (0.23)	\$ (1.84)	\$ (0.82)
EPS numerator - basic and diluted:				
Net loss attributable to common shareholders	\$ (2,451)	\$ (688)	\$ (6,836)	\$ (2,444)
EPS denominator (in thousands):				
Weighted average common stock outstanding - basic	3,704	2,995	3,724	2,990
Common stock equivalents: restricted stock units and restricted shares of common stock ^(a)	-	-	-	-
Weighted average number of common stock outstanding - diluted	3,704	2,995	3,724	2,990

(a) The diluted weighted average number of shares of common stock outstanding did not differ from the basic weighted average number of shares of common stock outstanding because the effects of any potential common stock equivalents (see Note 6 to the Condensed Consolidated Financial Statements for further details on unvested restricted stock units) were anti-dilutive and therefore not included in the calculation of the denominator of dilutive earnings per share.

NOTE 14 - STOCKHOLDERS' EQUITY

Common Stock

On August 8, 2023, the Company's Board of Directors authorized a share repurchase program for up to \$5,000 of the Company's outstanding common stock. The Company continues to view share repurchases as an attractive use of capital and may repurchase shares from time to time, as market conditions warrant, through open market purchases, privately negotiated transactions, block trades, or other methods, in accordance with applicable federal securities laws, including Rule 10b-18 of the Securities Exchange Act of 1934 (the "Exchange Act").

In the third quarter of 2025, the Company completed its \$5,000 share repurchase program authorized on August 8, 2023. On September 10, 2025, the Board of Directors authorized a new common stock repurchase program under which the Company may repurchase up to \$3,000 of its outstanding common stock. During the six months ended June 30, 2026, the Company repurchased on the open market a total of 86,257 shares of its common stock for an aggregate cost of \$0.9 million under these authorizations. As of June 30, 2026, under the July 30, 2015, August 8, 2023 and September 10, 2025 authorizations combined, the Company had repurchased an aggregate of 1,034,639 shares for a total cost of \$16.4 million, completing the August 8, 2023 authorization and leaving \$1.6 million available for purchase under the September 10, 2025 authorization. During the six months ended June 30, 2025, no repurchases of shares were made by the Company.

The Company cannot predict when or if it will repurchase any shares of common stock as such stock repurchase program will depend on a number of factors, including constraints specified in any Rule 10b5-1 trading plans, price, general business and market conditions, and alternative investment opportunities. Information regarding share repurchases will be available in the Company's periodic reports on Form 10-Q and 10-K filed with the Securities and Exchange Commission as required by the applicable rules of the Exchange Act.

NOTE 15 - PERPETUAL PREFERRED STOCK

Holders of shares of our Series A 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% per annum of the liquidation preference of \$10 per share. Dividends are payable quarterly, in arrears, by the last calendar day of March, June, September and December to holders of record at the close of business on the first day of each payment month. The Series A Preferred Stock is not convertible and does not have any voting rights, except when dividends are in arrears for 6 or more consecutive quarters, then the holders of those shares together with holders of all other series of preferred stock equal in rank would 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 Stock for the past dividend periods and the dividend for the current dividend period shall have been fully paid or declared and a sum sufficient for the payment thereof set apart for payment. The Series A Preferred Stock is not subject to redemption by the Company.

On February 13, 2026, Star announced that its Board of Directors declared a cash dividend to holders of the Company's Preferred Stock of \$0.25 per share. The record date for this dividend was March 1, 2026, and the payment date was March 10, 2026. On May 15, 2026, Star announced that its Board of Directors declared a cash dividend to holders of the Company's Preferred Stock of \$0.25 per share. The record date for this dividend was June 1, 2026, and the payment date was June 10, 2026. As of June 30, 2026, we are current on our preferred dividend payments.

On May 18, 2026, the Company entered into an At Market Issuance Sales Agreement (the "Sales Agreement") under which the Company may offer and sell, from time to time, shares of its 10% Series A Cumulative Perpetual Preferred Stock, par value \$0.001 per share (the "Series A Preferred Stock"). Sales of Series A Preferred Stock under the Sales Agreement, if any, are made by any method permitted by law and deemed to be an "at the market offering" as defined in Rule 415 under the Securities Act, including sales made directly on the Nasdaq Global Select Market.

During the three months ended June 30, 2026, the Company sold 82,764 shares of Series A Preferred Stock under the Sales Agreement at a weighted average price of \$9.86 per share, for gross proceeds of approximately \$816. After deducting commissions and fees of approximately \$25, the Company received net proceeds of approximately \$790.

NOTE 16 - STOCKHOLDER RIGHTS PLAN

On October 15, 2018, the Company's Board of Directors declared a dividend to the Company's stockholders of record as of the close of business on October 25, 2018 (the "Record Date"), for each outstanding share of the Company's common stock, of one right (a "Right") to purchase one one-hundredth 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 Agreement, dated as of October 15, 2018 (as amended, the "Rights Agreement"), by and between the Company and Computershare Trust Company, N.A., as rights agent (the "Rights Agent"). The Company's stockholders approved the Rights Agreement at the Company's 2019 Annual Meeting of Stockholders held on May 6, 2019. On September 28, 2021, the Company and the Rights Agent entered into a First Amendment to Rights Agreement (the "Amendment") that amended the Rights Agreement to extend its term through October 15, 2024. The amendment was approved by the Board on September 28, 2021, subject to stockholder approval, and the Company's stockholders approved the Amendment at the Company's 2022 Annual Meeting of Stockholders held on May 17, 2022. The Board of Directors has taken further action to amend the Original Rights Agreement, as amended by the First Amendment, to extend the expiration of the Rights Agreement to October 15, 2027, as contemplated in the Second Amendment to Rights Agreement (the "Second Amendment"). The Second Amendment was approved by the Board on June 13, 2024, subject to stockholder approval, and the Company's stockholders approved the Amendment at the Company's 2024 Annual Meeting of Stockholders held on July 31, 2024.

The Company also has a provision in its Amended and Restated Certificate of Incorporation which generally prohibits transfers of its common stock that could result in an ownership change.

Each Right allows its holder to purchase from the Company one one-hundredth of a share of the Company's Series B Junior Participating Preferred Stock ("Series B Preferred Stock") for a purchase price of \$3.50. Each fractional share of Series B Preferred Stock would give the stockholder approximately the same dividend, voting and liquidation rights as does one share of common stock. Prior to exercise, however, a Right does not give its holder any dividend, voting or liquidation rights.

The Board entered into the Rights Agreement in an effort to preserve the value of the Company's significant U.S. 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 Internal Revenue Code of 1986, as amended (the "Code"). In general, an "ownership change" would occur if the percentage of the Company's ownership by one or more "5-percent shareholders" (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 Agreement 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 of the Code. In general terms, the Rights Agreement imposes a significant penalty upon any person or group that acquires beneficial ownership (as defined under the Rights Agreement) of 4.99% or more of the outstanding common stock without the prior approval of the Board (an "Acquiring Person"). Any Rights held by an Acquiring Person are void and may not be exercised.

The Rights will not be exercisable until the earlier of (i) 10 days after a public announcement by the Company that a person or group has become an Acquiring Person; and (ii) 10 business days (or a later date determined by the Board) after a person or group begins a tender or an exchange offer that, if completed, would result in that person or group becoming an Acquiring Person.

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 B 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 B 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.

The Rights will expire on the earliest of (i) the close of business on October 15, 2027, 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, and (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.

The Board may redeem all (but not less than all) of the Rights for a redemption price of \$0.001 per Right at any time before the later of the Distribution Date and the date of the first public announcement or disclosure by the Company that 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 Board may adjust the purchase price of the Series B Preferred Stock, the number of shares of Series B 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 B Preferred Stock or common stock.

Before the time the Rights cease to be redeemable, the Board may amend or supplement the Rights Agreement without the consent of the holders of the Rights, except that no amendment may decrease the redemption price below \$0.001 per Right.

NOTE 17 - SEGMENT AND GEOGRAPHIC DATA

Segment Reporting

Corporate expenses are reported separately for the four reportable segments and pertain to certain functions, such as executive management, corporate governance, investor relations, legal, accounting, tax, and treasury. A portion of these expenses are attributed to the reportable segments for providing the above services to them, and have been allocated to the segments as management service expenses, and are included in the segments’ non-operating other income (expense). We have disclosed for each reportable segment the significant expense that is reviewed by CODM in the tables below with no additional significant expenses beyond those presented. Segment information is presented in accordance with ASC 280, “Segment Reporting.” This standard is based on a management approach that requires segmentation based upon the Company’s internal organization and disclosure of revenue and certain expenses based upon internal accounting methods. The Company’s financial reporting systems present various data for management to run the business, including internal profit and loss statements prepared on a basis not consistent with U.S. GAAP. Accounts receivable and long-lived assets are the only significant assets separated by segment for internal reporting purposes.

Our reportable segments are based upon our internal organizational structure, the manner in which our operations are managed, the criteria used by our Chief Executive Officer, who is our Chief Operating Decision Maker (“CODM”), to evaluate segment performance, the availability of separate financial information, and overall materiality considerations. Effective as of the acquisition of SOC on August 22, 2025, our business segments are organized into the following four reportable segments, reflecting the manner in which our CODM assesses performance and allocates resources:

1. Building Solutions
2. Business Services
3. Energy Services
4. Investments

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 gross profit and operating income (loss). Our operating costs included in our shared service functions primarily consist of senior executive officers, finance, human resources, legal, and information technology. Star Equity shared service corporate costs have been separated from the reportable segments. Prior period presentation previously disclosed conforms to current year presentation.

Segment information for the three and six months ended June 30, 2026 and 2025, respectively, is as follows:

	Building Solutions	Business Services	Energy Services	Investments	Corporate and Intersegment eliminations	Total
For The Three Months Ended June 30, 2026						
Revenues	\$ 14,612	\$ 36,385	\$ 3,944	\$ 158	\$ (158)	\$ 54,941
Cost of revenues	11,454	18,570	2,048	74	-	32,146
Gross profit ^(a)	3,158	17,815	1,896	84	(158)	22,795
Salaries and related	(1,786)	(14,369)	(583)	-	(1,229)	(17,967)
Office and general	(1,074)	(2,032)	(506)	(157)	(1,104)	(4,873)
Marketing and promotion	(11)	(982)	(8)	-	-	(1,001)
Operating expenses depreciation and amortization	(101)	(213)	-	-	(10)	(324)
Operating income / (loss)	<u>\$ 186</u>	<u>\$ 219</u>	<u>\$ 799</u>	<u>\$ (73)</u>	<u>\$ (2,501)</u>	<u>\$ (1,370)</u>
EBITDA (loss) ^(b)	\$ 23	\$ 72	\$ 1,102	\$ (56)	\$ (1,785)	\$ (644)
Total depreciation and amortization	(267)	(213)	(370)	(74)	(10)	(934)
Interest income / (expense), net	(140)	(169)	(49)	217	141	-
Provision for income tax	-	(461)	-	-	191	(270)
Net income / (loss)	<u>\$ (384)</u>	<u>\$ (771)</u>	<u>\$ 683</u>	<u>\$ 87</u>	<u>\$ (1,463)</u>	<u>\$ (1,848)</u>
For The Six Months Ended June 30, 2026						
Revenues	\$ 26,210	\$ 71,390	\$ 7,402	\$ 317	\$ (317)	\$ 105,002
Cost of revenues	21,411	36,129	3,963	149	-	61,652
Gross profit ^(a)	4,799	35,261	3,439	168	(317)	43,350
Salaries and related	(3,378)	(29,461)	(1,266)	-	(2,602)	(36,707)
Office and general	(2,241)	(4,161)	(884)	(249)	(1,935)	(9,470)
Marketing and promotion	(23)	(1,879)	(21)	-	-	(1,923)
Operating expenses depreciation and amortization	(191)	(405)	(19)	-	(20)	(635)
Operating income / (loss)	<u>\$ (1,034)</u>	<u>\$ (645)</u>	<u>\$ 1,249</u>	<u>\$ (81)</u>	<u>\$ (4,874)</u>	<u>\$ (5,385)</u>
EBITDA (loss) ^(b)	\$ (1,331)	\$ (943)	\$ 1,950	\$ (9)	\$ (3,415)	\$ (3,748)
Total depreciation and amortization	(531)	(405)	(771)	(149)	(20)	(1,876)
Interest income / (expense), net	(266)	(327)	(92)	390	282	(13)
Provision for income tax	-	305	-	-	(309)	(4)
Net income / (loss)	<u>\$ (2,128)</u>	<u>\$ (1,370)</u>	<u>\$ 1,087</u>	<u>\$ 232</u>	<u>\$ (3,462)</u>	<u>\$ (5,641)</u>
As of June 30, 2026						
Accounts receivable, net	<u>\$ 7,940</u>	<u>\$ 22,000</u>	<u>\$ 4,971</u>	<u>\$ -</u>	<u>\$ 29</u>	<u>\$ 34,940</u>
Long-lived assets, net of accumulated depreciation and amortization (c)	<u>\$ 4,257</u>	<u>\$ 7,597</u>	<u>\$ 5,409</u>	<u>\$ 6,437</u>	<u>\$ 152</u>	<u>\$ 23,852</u>
Total assets	<u>\$ 32,401</u>	<u>\$ 41,525</u>	<u>\$ 14,220</u>	<u>\$ 21,099</u>	<u>\$ (1,009)</u>	<u>\$ 108,236</u>

	Business Services	Corporate and Intersegment eliminations	Total
For The Three Months Ended June 30, 2025			
Revenues	\$ 35,541	\$ -	\$ 35,541
Cost of revenues	16,906	-	16,906
Gross profit (a)	18,635	-	18,635
Salaries and related	(14,460)	(377)	(14,837)
Office and general	(1,646)	(1,147)	(2,793)
Marketing and promotion	(971)	-	(971)
Operating expenses depreciation and amortization	(243)	(2)	(245)
Operating income (loss)	<u>\$ 1,315</u>	<u>\$ (1,526)</u>	<u>\$ (211)</u>
EBITDA (loss) (b)	\$ 954	\$ (1,106)	\$ (152)
Depreciation and amortization	(243)	(2)	(245)
Interest income (expense), net	(157)	211	54
Provision for income taxes	(372)	27	(345)
Net income (loss)	<u>\$ 182</u>	<u>\$ (870)</u>	<u>\$ (688)</u>
For The Six Months Ended June 30, 2025			
Revenues	\$ 67,407	\$ -	\$ 67,407
Cost of revenues	32,374	-	32,374
Gross profit (a)	35,033	-	35,033
Salaries and related	(28,354)	(828)	(29,182)
Office and general	(3,284)	(2,073)	(5,357)
Marketing and promotion	(1,901)	-	(1,901)
Operating expenses depreciation and amortization	(523)	(5)	(528)
Operating income (loss)	<u>\$ 971</u>	<u>\$ (2,906)</u>	<u>\$ (1,935)</u>
EBITDA (loss) (b)	\$ 458	\$ (2,122)	\$ (1,664)
Total depreciation and amortization	(523)	(5)	(528)
Interest income (expense), net	(278)	403	125
Provision for income taxes	(448)	71	(377)
Net loss	<u>\$ (791)</u>	<u>\$ (1,653)</u>	<u>\$ (2,444)</u>

	Building Solutions	Business Services	Energy Services	Investments	Corporate and Intersegment eliminations	Total
As of December 31, 2025						
Accounts receivable, net	\$ 8,671	\$ 22,398	\$ 4,045	\$ -	\$ 106	\$ 35,220
Long-lived assets, net of accumulated depreciation and amortization ^(c)	\$ 4,320	\$ 7,934	\$ 7,235	\$ 6,586	\$ 167	\$ 26,242
Total assets	<u>\$ 34,105</u>	<u>\$ 43,418</u>	<u>\$ 12,526</u>	<u>\$ 21,689</u>	<u>\$ 1,493</u>	<u>\$ 113,231</u>

(a) Gross profit in the Business Services segment includes the direct staffing costs of salaries, payroll taxes, employee benefits, travel expenses, and insurance costs for the Company's contractors and reimbursed out-of-pocket expenses and other direct costs. The region where services are provided, the mix of RPO and contracting, and the functional nature of the staffing services provided can affect operating income and EBITDA. The salaries, commissions, payroll taxes, and employee benefits related to recruitment professionals are included under the caption "Salaries and related" in the Condensed Consolidated Statements of Operations.

(b) SEC Regulation S-K Item 229.10(e)(ii)(A) defines EBITDA as earnings before interest, taxes, depreciation, and amortization. EBITDA is presented to provide additional information to investors about the Company's operations on a basis consistent with the measures that the Company uses to manage its operations and evaluate its performance. Management also uses this measurement to evaluate working capital requirements. EBITDA should not be considered in isolation or as a substitute for operating income and net income prepared in accordance with U.S. GAAP or as a measure of the Company's profitability.

(c) Comprised of property and equipment, intangible assets and goodwill, net of accumulated depreciation and amortization.

Geographic Data Reporting

A summary of revenues for the three and six months ended June 30, 2026 and 2025 and net assets by geographic area as of June 30, 2026 and December 31, 2025, were as follows:

	Australia	United States	United Kingdom	Other	Total
For The Three Months Ended June 30, 2026					
Revenue ^(a)	\$ 18,079	\$ 25,846	\$ 5,424	\$ 5,592	\$ 54,941
For The Three Months Ended June 30, 2025					
Revenue ^(a)	\$ 16,832	\$ 6,739	\$ 6,211	\$ 5,759	\$ 35,541
For The Six Months Ended June 30, 2026					
Revenue ^(a)	\$ 35,505	\$ 48,263	\$ 10,223	\$ 11,011	\$ 105,002
For The Six Months Ended June 30, 2025					
Revenue ^(a)	\$ 31,694	\$ 13,249	\$ 11,505	\$ 10,959	\$ 67,407
As of June 30, 2026					
Long-lived assets, net of accumulated depreciation and amortization ^(b)	\$ 46	\$ 21,814	\$ 50	\$ 1,942	\$ 23,852
Net assets	\$ 2,046	\$ 43,386	\$ 2,074	\$ 12,291	\$ 59,797
As of December 31, 2025					
Long-lived assets, net of accumulated depreciation and amortization ^(b)	\$ 32	\$ 24,160	\$ 35	\$ 2,015	\$ 26,242
Net assets	\$ 3,855	\$ 47,524	\$ 1,475	\$ 12,853	\$ 65,707

(a) Revenue by geographic region disclosed above is net of any inter-segment revenue and, therefore, represents only revenue from external customers according to the location of the operating subsidiary.

(b) Comprised of property and equipment, intangible assets and goodwill, net of accumulated depreciation and amortization.

NOTE 18 - SUPPLEMENTARY BALANCE SHEET INFORMATION

Inventories

The components of inventories are as follows:

	June 30, 2026	December 31, 2025
Raw materials	\$ 4,061	\$ 4,122
Work-in-process	450	536
Finished goods	2,443	2,330
Total inventories, net	\$ 6,954	\$ 6,988

ADT's inventory, amounting to \$1,097 as of June 30, 2026, consists of component equipment, parts and supplies which are classified as raw materials using the weighted average cost method.

Property and Equipment

Property and equipment consists of the following:

	June 30, 2026	December 31, 2025
Land	\$ 795	\$ 1,134
Buildings and leasehold improvements	7,117	9,070
Transportation	2,217	2,023
Machinery and equipment	14,101	12,750
Gross property and equipment	24,230	24,977
Accumulated depreciation	(7,632)	(6,367)
Total property and equipment, net	\$ 16,598	\$ 18,610

Depreciation expense for the three and six months ended June 30, 2026 was \$764 and \$1,547, respectively, and \$6 and \$52 for the three and six months ended June 30, 2025, respectively.

As of June 30, 2026, we held non-operating land and a building in Oxford, Maine for investment and potential future use which had a carrying value of \$1,701 and was included within property and equipment on the Condensed Consolidated Balance Sheets.

Warranty Reserves

Within our Building Solutions 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. EdgeBuilder 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. TT provides a fifty-year limited warranty to the original buyer of its products, qualified by the original buyer's obligation to ensure that the products are properly handled, stored, and installed. Historical losses related to the Timber Technologies warranty have been insignificant and therefore no reserve has been established. Estimated future warranty costs are accrued and charged to cost of goods sold in the period that the related revenue is recognized. Within our Energy Services segment, we do not provide warranties on our products.

Notes Receivable

Notes receivable consists of the following principal and interest balances as of June 30, 2026 and December 31, 2025:

	June 30, 2026	December 31, 2025
	Principal and interest	Principal and interest
Catalyst Note	\$ 8,725	\$ 8,257
MDOS Note	447	596
KBS Customer Note	12	32
Total note receivable	9,184	8,885
Less current portion	(236)	(256)
Note receivable, net of current portion	\$ 8,948	\$ 8,629

As a part of the sale of Digirad Health in May 2023, SOC entered into a \$7,000 promissory note (the "Catalyst Note") which represents an unsecured note receivable on our balance sheet. The note has a maturity date of May 3, 2029 with payment-in-kind (non-cash) interest on the outstanding principal balance hereof to accrue at the Interest Rate. The full balance is scheduled to be paid at the maturity date. The Interest Rate is defined as (i) during the period from the date of issuance of the note through the third anniversary of the date of issuance of the note, a per annum rate equal to the sum of (x) 5.0% per annum plus (y) the greater of 5.0% per annum and the weighted average term SOFR-based interest rate of outstanding loans under the Senior Loan Agreement (as defined in the Purchase Agreement) during such period, and (ii) during the period following the third anniversary of the date of issuance of the note, a per annum rate equal to the sum of (x) 5.0% per annum plus (y) the greater of 7.0% per annum and the weighted average term SOFR-based interest rate of outstanding loans under the Senior Loan Agreement during such period.

In 2021, SOC completed the sale of MD Office Solutions in exchange for a secured promissory note (the "MDOS Note"). This note, the principal of which is approximately \$447 at June 30, 2026, is included in "Notes receivable, net of current portion" and "Notes receivable" in our Condensed Consolidated Balance Sheets at June 30, 2026 and December 31, 2025 for \$223 and \$224, respectively. The MDOS Note requires quarterly installments of \$74 and incurs interest at a fixed rate of 5.0% through maturity in 2028.

In 2023, KBS issued a promissory note to a customer, incurring 12% interest per annum (the “KBS Customer Note”). The KBS Customer Note is included in “Notes receivable, net of current portion” in the Condensed Consolidated Balance Sheets at June 30, 2026.

The Company evaluates its notes receivable portfolio under the Current Expected Credit Loss (“CECL”) model.

Long Term Investments

Below are the components of our Long Term Investments as of June 30, 2026:

	Method of Accounting	June 30, 2026	December 31, 2025
Investment in Catalyst	Cost Method	\$ 953	\$ 953
Total		\$ 953	\$ 953

Investment in Catalyst

As a part of the sale of Digirad Health, SOC received common equity of Catalyst Parent, which is held in our Investments Segment at a fair value of \$953 at June 30, 2026. We have elected the measurement alternative under ASC 321, *Investments-Equity Securities*. The measurement alternative election allows for equity securities that do not have readily determinable fair values to be recorded at cost, with adjustments for impairment and certain observable price changes reflected in earnings. Such securities are adjusted to fair value when an observable price change occurs or impairment is identified.

Investment in Enservco

On August 9, 2024, SOC entered into an investment in Enservco pursuant to a Share Exchange Agreement in which SOC agreed to issue to Enservco 250,000 shares of 10% Series A Cumulative Perpetual Preferred Stock representing \$2,600 of value in exchange for 9,023,035 Enservco Common Shares, representing 19.9% of the equity interests of Enservco, and 3.5 million Enservco Preferred Shares and certain options included in the Share Exchange Agreement. We also issued a \$1,000 note to Enservco to facilitate Enservco’s acquisition of Buckshot Trucking, LLC. The investment in Enservco had a value of zero at June 30, 2026.

NOTE 19 - CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

Cash, cash equivalents, and restricted cash as reported within the accompanying Condensed Consolidated Balance Sheets as of June 30, 2026 and December 31, 2025 was as follows:

	June 30, 2026	December 31, 2025
Cash and cash equivalents	\$ 6,834	\$ 10,269
Restricted cash, current	1,540	1,819
Restricted cash, non-current	551	1,322
Total cash, cash equivalents, and restricted cash	\$ 8,925	\$ 13,410

Restricted cash primarily includes lease and collateral deposits, as well as bank guarantees for licensing.

NOTE 20 - COMMITMENTS AND CONTINGENCIES

Litigation and Complaints

The Company is subject, from time to time, to various claims, lawsuits, contract disputes, and other complaints from, for example, clients, candidates, suppliers, landlords for both leased and subleased properties, former and current employees, and regulators or tax authorities arising in the ordinary course of business. The Company routinely monitors claims such as these, and records provisions for losses when the claim becomes probable and the amount due is estimable. Although the outcome of these claims cannot be determined, the Company believes that the final resolution of these matters will not have a material adverse effect on the Company’s financial condition, results of operations or liquidity.

For matters that reach the threshold of probable and estimable, the Company establishes reserves for legal, regulatory, and other contingent liabilities. The Company had \$0.2 million of legal reserves as of both June 30, 2026 and December 31, 2025.

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 compliance with regulatory standards, customer disputes, employment practices, wage and hour disputes, product liability, professional liability, malpractice 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 but currently do not expect that the resolution of these matters will have a material adverse effect on our financial position or results of operations.

The outcome of litigation and the amount or range of potential loss at particular points in time may be difficult to ascertain. Among other things, uncertainties can include how trial and appellate courts will apply the law and interpret facts, as well as the contractual and statutory obligations of other indemnifying and insuring parties. The estimated range of reasonably possible losses, and their effect on our financial position is based on currently available information and is subject to significant judgment and a variety of assumptions, as well as known and unknown uncertainties.

NOTE 21 - SUBSEQUENT EVENTS

The Company has evaluated events and transactions occurring after June 30, 2026 through August 14, 2026, the date these condensed consolidated financial statements were issued, for potential recognition or disclosure in the accompanying condensed consolidated financial statements. Except as described below, the Company has determined that no other material subsequent events require recognition or disclosure.

Merger Agreement with Harte Hanks, Inc.

On August 14, 2026, the Company, Merger Sub - R, Inc., a wholly owned subsidiary of the Company ("HH Merger Sub"), and Harte Hanks, Inc. ("Harte Hanks") entered into an Agreement and Plan of Merger (the "HH Merger Agreement") providing for the merger of HH Merger Sub with and into Harte Hanks, with Harte Hanks surviving as a wholly owned subsidiary of the Company (the "HH Merger").

Under the HH Merger Agreement, each share of Harte Hanks common stock (outstanding immediately prior to the effective time, other than shares held in treasury or owned by the Company or its HH Merger Sub, which will be cancelled without consideration), and each share underlying a Harte Hanks equity award entitled to consideration under the HH Merger Agreement, will be converted into the right to receive, at the holder's election and subject to proration, either (i) \$5.00 per share in cash, (ii) 0.5 shares of the Company's Series A Preferred Stock, or (iii) a combination of the two. Aggregate cash consideration, including cash payable in lieu of fractional preferred shares, may not exceed \$19.2 million. If cash elections exceed that amount, cash is allocated pro rata among cash-electing shares and the balance is paid in Series A Preferred Stock. All outstanding Harte Hanks restricted stock units that vest in connection with the Closing will be cancelled in exchange for the same merger consideration, and vested Harte Hanks stock options having a per share exercise price below the per share merger consideration will be cancelled in exchange for the excess of that consideration over the exercise price. Options with a per share exercise price at or above the per share merger consideration will be cancelled without payment.

Assuming the maximum cash consideration is elected and paid, aggregate consideration would consist of \$19.2 million in cash and 1.92 million shares of Series A Preferred Stock. Consistent with the Company's accounting for its acquisition of Star Operating Companies described in Note 5, consideration transferred will be measured at the acquisition-date fair value of the Series A Preferred Stock issued.

Completion of the HH Merger is subject to customary closing conditions, including approval of the HH Merger Agreement by Harte Hanks stockholders, effectiveness of a Registration Statement on Form S-4 to be filed by the Company with respect to the Series A Preferred Stock issuable in the HH Merger, receipt of specified third-party consents, and completion of debt financing sufficient to enable the Company to fund the cash portion of the merger consideration. The financing is expected to be provided by a drawdown on Harte Hanks' existing \$25 million asset-based revolving credit facility with Texas Capital Bank (with the drawdown not to exceed \$15 million), under which \$21.3 million was available as of June 30, 2026 after giving effect to outstanding letters of credit. Availability under that facility is limited by a borrowing base determined primarily by reference to cash and accounts receivable, and the facility contains covenants restricting mergers and acquisitions and the incurrence of indebtedness; accordingly, consummation of the financing will require the consent of, or an amendment from, the lender. In the event the lender fails to consent to provide all or a portion of the financing, the Company intends to seek alternative debt financing. Directors and executive officers of Harte Hanks have entered into voting and support agreements in favor of the HH Merger. There can be no assurance that the HH Merger will be completed on the terms described or at all.

The Company expects to account for the HH Merger as a business combination, with the Company as the accounting acquirer. Because the HH Merger had not been completed as of the date these condensed consolidated financial statements were issued, the Company has not completed its determination of the fair values of the assets to be acquired and liabilities to be assumed, and no purchase price allocation or pro forma financial information is presented. Entry into the HH Merger Agreement is a non-recognized subsequent event, and accordingly no amounts related to the HH Merger have been recorded in the condensed consolidated balance sheet as of June 30, 2026 or in the condensed consolidated statements of operations for the periods presented, other than transaction costs incurred through that date.

ANNEX D

Solely for purposes of this Annex D, references to “the Company,” “we,” “us,” and “our” refer to Harte Hanks, Inc.

This Annex D includes business and other company information, Management’s Discussion and Analysis of Financial Condition and Results of Operations for the years ended December 31, 2025 and 2024, and audited consolidated financial statements and related notes, together with the report of the independent registered public accounting firm, from Harte Hanks’s Annual Report on Form 10-K for the fiscal year ended December 31, 2025, filed on March 17, 2026. This Annex D also includes Management’s Discussion and Analysis of Financial Condition and Results of Operations for the three and six months ended June 30, 2026 and 2025 and unaudited condensed consolidated financial statements and related notes from Harte Hanks’s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2026, filed on August 14, 2026.

Information about Harte Hanks

Harte Hanks is a leading customer and brand experience company operating in six service categories - data, marketing, sales, customer care, fulfillment and logistics. In and across these service categories, we address today’s biggest growth and customer experience challenges for B2B and B2C businesses across the world in the new era of intelligence and artificial intelligence (“AI”), by being a modern journey enabler. The challenges we solve include:

- Grappling with data, AI and technology in a cookie-restricted digital environment;
- Growing awareness, demand and sales for products;
- Storing, fulfilling and delivering samples, kits, materials and products direct to the door of consumers, influencers or businesses;
- Delivering better customer experience and support across multiple channels; and
- Delivering effectively with tighter budgets and talent shortages.

Our clients need help enabling their journey to growth, to transformation, to customer centricity, to product success and to AI powered approaches and solutions to marketing, sales, fulfillment and customer care. At the core of how we address this is a concentration on our clients’ key audiences - prospects, customers, patients, members, partners, employees and influencers - and how we help align our clients’ brands and products to these different audiences along journeys. This includes the **product journey**, e.g., product innovation, build, strategy, launch, sell, deliver, support and recall and the **customer journey**, e.g., how customers become aware of their needs, how they buy, making the purchase, using the product or service, advocacy and renewal. We are focused on helping our clients better understand, engage, acquire, deliver to, service, support and retain these audiences. We start by understanding and architecting the journey in focus, and then enable, deliver and manage some or all aspects along this journey. Our alignment of customers and products on behalf of brands along the entire lifecycle distinguishes us from most other agencies and competitors in our service categories.

We offer a uniquely diverse range of services and solutions in and across our service categories to businesses in the following industries:

- B2B Technology & Services including cloud, SaaS, hardware, software, semiconductors, health technology, fintech, electronics, distributors and telecommunications
- Healthcare, Pharmaceuticals & Health Insurance
- Consumer Products including health, well-being and beauty; consumer tech/electronics; domestic appliances
- Travel, Hospitality, Streaming & Entertainment
- QSRs (Quick Service Restaurants)
- Financial Services and Fintech
- Automotive
- Retail

We work in partnership with our clients to provide them with: data-driven analytics and actionable insights from research; robust customer-experience (“CX”), marketing or sales strategies; and the data, content & technology to enable delivery. We then combine these insights with seamless program execution, fulfillment, service and delivery on a project or ongoing service basis to meet our clients’ goals. In essence we offer services along the customer & product lifecycle - from Data to Demand, to Deal, to Delivery, and everything in between.

Operationally, starting in 2024, our services are organized into three business units that span the end to end customer and product lifecycles:

- Data, marketing, demand generation and managed marketing services
- Customer Care
- Fulfillment & Logistics

Data, Marketing, Demand Generation and Managed Marketing Services

Harte Hanks helps our clients determine, detect and activate their audiences through traditional, digital, and emerging channels. We provide full service multi-channel marketing from strategy to campaign execution. This includes the support of our customers’ sales teams in their continued pursuit of excellence, delivering specialized outsourcing, optimization, lead nurturing and messaging development services to global and national partners. We leverage data, insights, technology, and award-winning creative solutions to meet and exceed our clients’ business objectives and optimize our clients’ return on investment.

Our key offerings include:

- **Data & Analytics** – In-depth data and analytics including audience identification, profiling, segmentation and prioritization, predictive modeling and data strategy. We provide data hygiene and cleansing to ensure the best possible results. We access broad first-party and third-party data sources, search and social media, and research through syndicated, primary and secondary sources, and we leverage our proprietary DataView tool, a comprehensive, aggregate data mart for B2C (USA) and B2B (Global) that provides a 360-degree customer view, with over 1,500 attributes enabling accurate predictive marketing to our clients. We also offer a unique intent data solution called Audience Finder for detecting in-market prospects.
- **Research & Intelligence** - Primary and secondary research to help our clients understand their customers, category, competitors and capabilities, either as a standalone deliverable or to inform the development of strategies for campaigns and programs.
- **Strategy** – Provide strategic guidance to help clients efficiently and effectively plan and execute omnichannel marketing, demand generation and customer experience programs that deliver business results. We leverage data and insights to enhance our clients’ understanding of their consumers, competitors and category dynamics, then apply those insights to develop the strategies to fuel activities such as customer acquisition, engagement, purchase behavior, loyalty and advocacy. Our expertise spans the range of strategies including targeting, Go-To-Market, commercial, product launch, customer experience, campaign, content, ABM (Account Based Marketing) and demand strategy.
- **Creative & Content** - Full-service creative and content design, development and execution spanning traditional and digital channels, including creative concepts, messaging and content assets for print, broadcast, direct mail, website, app, display, social, mobile, search engine marketing, and voice.
- **Marketing Technology** – Website and app development, e-commerce development and enablement, database building and management, platform architecture creation, and marketing automation to serve as the foundation for digital and multi-channel marketing execution.
- **Digital and Multi-channel Marketing Execution & Advertising** - Orchestration and execution of programs and campaigns across multiple channels, territories and audiences, using data, strategies, content and Marketing technology or MarTech provided either by Harte Hanks or by our clients. Setup and management of digital advertising programs and campaigns across the latest advertising channels (e.g., Google, Meta, LinkedIn, TikTok) and platforms (DSPs, ABM advertising, industry networks).
- **Demand Generation and ABM** - Providing intelligence-based B2B solutions that understand audiences and their behaviors, and then inspire and drive action to deliver results. These solutions help companies understand which accounts, sectors and persons to target, and then generate marketing qualified leads (“MQLs”) and pipelines for their marketing and sales team, through combining data, strategy, content, MarTech and digital/multi-channel execution.

- **Managed Marketing Services** - Also referred to as “Marketing as a Service”. A flexible outsourcing marketing operations solution, that works as a highly integrated extension of a client’s own marketing function by blending the best of agency and business outsourcing processes and capabilities. Marketing as a Service operationalizes, manages and delivers some or all of: data operations, marketing technology, analytics, demand generation, and staff augmentation.
- **Inside Sales Outsourcing** - Combining best-in-class analytics, accomplished sales professionals and full-cycle experimentation we provide B2B enterprises, and Small to Midsized Businesses with a fully outsourced sales service, that can work alongside or in lieu of an internal sales function.
- **Lead Generation** – Combining data, lead generation resources and technology, we provide turnkey lead generation and development that converts interested or good fit prospects into leads for sales to qualify, nurture and sell to.
- **Sales Play Development** - Designing sales plays and cadences to enable sales teams to find, plan, engage, nurture and convert prospects into sales opportunities.

Customer Care

Our customer care services are customized to meet the needs of our partners’ customer, helping them attract new buyers and turn existing patrons into loyal brand advocates. We support our clients by addressing their end customers’ urgent needs, navigating an increasingly-complex technology landscape, and integrating AI technology and automation — while maintaining a fierce devotion to reducing customer effort, for the benefit of both the business and the buyer. This approach to “effortless customer experience” not only drives better service results but is also designed to lower our clients’ operational costs.

Our global, omnichannel delivery model is focused on providing our clients three key services:

- **Customer Service Outsourcing** - Our accomplished customer care associates interact and resolve consumer queries and complaints across hardware and software platforms, healthcare benefit plans, product recalls and/or a myriad of other customer service issues. We leverage technology to help reduce customer effort while providing a human touch to increase customer satisfaction.
- **Customer Care Technology and AI Transformation** – Our solution services teams configure various CRM solutions (e.g., Salesforce, Zendesk) and channel /AI technology including Amazon Connect to create meaningful customer interactions by connecting content between agent, AI-driven interfaces and web-based self-help tools and community forums.
- **Self-Service Technology** - We provide and maintain self-service solutions through Interactive Voice Response (“IVR”), Help Centers, online, and via apps and channel technology.

We also analyze a significant amount of aggregated data obtained from customer interactions on behalf of our clients. We leverage information gained from this analysis and end customer-driven feedback to drive efficiencies, provide insights on predictive behaviors that lead to lower customer churn and help our clients innovate their core product offerings and develop innovative product features.

Fulfillment & Logistics Services

Our fulfillment and logistics services are designed to meet the diverse and dynamic needs of businesses across industries, ensuring that products, promotional materials, and essential items are delivered efficiently, accurately, and on time. Harte Hanks fulfillment unlocks critical sales enablement, value-added product fulfillment, and eCommerce channels for our clients. Harte Hanks logistics supports the supply chain needs of our clients in everything from time-sensitive deliveries to full scale supply chain management. By leveraging our modern infrastructure, advanced technology, and industry expertise, we help our clients streamline their operations, enhance customer experience, and optimize cost efficiencies. We support enterprise-level supply chain management, execute precise time-sensitive deliveries, and enable eCommerce scalability.

End to End Product, Print-On-Demand, and Mail Fulfillment Services

Our extensive fulfillment capabilities include:

- **Print-On-Demand & Literature Distribution** – We facilitate the seamless production and distribution of marketing materials, sales collateral, and product literature, ensuring businesses can effectively engage with customers, prospects, and partners.
- **Promotional & Branded Product Distribution** – We manage and distribute promotional products, trade show materials, and corporate gifts to enhance brand awareness and customer engagement.
- **Custom Kitting & Event Fulfillment** – Our curated kitting solutions support corporate events, influencer marketing programs, employee appreciation campaigns, and conference giveaways, ensuring that clients can create impactful brand experiences.
- **Product Recall Management** – We assist in efficient product recalls, ensuring regulatory compliance, customer safety, and brand reputation protection.
- **Temperature-Controlled & FDA-Registered Fulfillment Centers** – We have strategically located fulfillment centers across the United States, that provide temperature-controlled storage and are FDA-registered to handle sensitive products such as:
 - Nutritional supplements, medical foods, and baby formulas
 - Chocolates, coffee, tea, snack foods, nuts, and seeds
 - Pet food, treats, and nutritional supplements
- **Scalable Global Fulfillment** – Our fulfillment network spans the U.S., with capabilities in Europe and additional support from regional logistics partners that ensure efficient international product distribution.

Through our upgraded order management platform, we can now streamline order processing, facilitate seamless integration with various data sources and eCommerce platforms, and ensure real-time visibility into inventory and shipment status.

Third-Party Logistics & Freight Optimization

Harte Hanks logistics services help businesses achieve supply chain excellence by ensuring efficient transportation, freight optimization, and timely product delivery. Our logistics expertise enables businesses to reduce costs, improve delivery speed, and optimize their supply chain operations—whether managing individual shipments or full-scale supply chain management. Our comprehensive logistics solutions include:

- **Nationwide & Regional Shipping** – We facilitate the shipping of millions of time-sensitive materials annually, leveraging our nationwide logistics network.
- **Certified Fleet & Expedited Shipping** – With access to a contracted fleet of over 15,000 trucks, we provide clients with scalable third-party logistics (3PL) services tailored to their needs.
- **Allink®360: Proprietary Logistics Technology** – Our proprietary rate-shopping system, Allink 360, optimizes freight costs and delivery timelines, ensuring shipments arrive on time and within budget.
- **Flexible & Scalable Logistics Solutions** – We offer customized logistics solutions designed to accommodate businesses of all sizes, from startups to Fortune 500 enterprises.

Client Relationships

We are known for helping clients build deep customer relationships, create connected customer experiences, and optimize each and every customer touch point in order to deliver desired business outcomes. Realizing our clients’ success is the only valid measure of our own success. We ensure all our efforts are aligned with our clients’ business objectives and measured against defined performance metrics. It is this commitment to our clients and their businesses that allows us to build meaningful relationships with them. Our client engagements may consist of one or a few of our service offerings – with a goal toward continuously expanding our relationships. We provide cross-service client management along with continuous business reviews to ensure our clients receive value from our partnerships.

Use of Subcontractors

Certain segments of our business rely on subcontractors and other third parties to provide a portion of our overall services in certain engagements. Over the years we have established strong relationships with subcontractors that translate into high level service and favorable prices for our customers.

Customers

Our clients include large multinational enterprises, small and medium-sized businesses and government organizations. Our largest client in terms of revenue generated 10.5% of total revenues in 2025. Our largest 25 clients in terms of revenue generated 68.3% of total revenue in 2025. Our clients span a wide range of industries including but not limited to retail, travel, streaming, healthcare, financial services, and technology, which reduced the concentration risk of the Company in any one sector. We generally enter into long-term contracts with our clients ranging in duration from one to three years. Most of our contracts do not require our customers to purchase a minimum amount of services from us. In general, our contracts with our customers are terminable on short notice with little or no penalty payable on termination.

Sales and Marketing

Harte Hanks operates a modern sales and marketing growth engine to generate awareness, create demand and convert this demand into new business, as well as support existing client growth and retention. As a B2B services company we practice the marketing and sales methodology and tactics we offer to our clients, including ABM, demand generation, content marketing, inside sales and enterprise sales. We also leverage partnerships to extend our reach and broaden our solutions.

For marketing, we leverage a combination of corporate marketing resources, marketing services resources and a modern MarTech stack including CRM, content management, SEO/digital advertising tools to support targeting, account-based marketing, demand creation and awareness.

For sales we rely on our enterprise and solution sellers, combined with an internal sales team, to sell our products and services to new clients and task our employees supporting existing clients to expand our client relationship through additional solutions and products. We have expanded our sales team coverage internationally to support our global client and prospect network. Our sales force sells a variety of solutions and services to address our clients' cross-selling targeted marketing needs. We also maintain solution-specific experts in our sales force and sales groups to sell our individual products and solutions, with expertise by target industries including B2B, Health and B2C.

Competition

Our competition comes from local, national, and international marketing, advertising, customer care, print fulfillment, smaller 3PL, logistics companies, and internal client resources, against whom we compete for individual projects, entire client relationships, and marketing expenditures. The principal competitive factors in our industry are the breadth, depth and quality of service offerings, technical and strategic expertise, the perceived value of the services provided, reputation, pricing, and brand recognition. We also compete against social, mobile, web-based, email, print, broadcast, and other forms of advertising for marketing and advertising dollars in general.

Furthermore, competition may begin to emerge as a result of the availability of in-house information technology solutions that can replicate some of our services. We expect our clients to continue to improve their information technology systems and offerings and, in some circumstances, move the services we provide in-house.

Seasonality

Some of our revenue streams tend to be higher in the fourth quarter than in other quarters during a given year. This increased revenue is a result of overall increased activity prior to the holiday season in the retail vertical, and due to the open enrollment period in the healthcare vertical.

PROPERTIES

Our headquarters is located in Chelmsford, MA. We lease office and fulfillment facilities around the world, primarily in the United States, Europe and Asia.

As of December 31, 2025, we operated the following types of facilities in the following locations:

Domestic Offices	International Offices	Operational Warehouses
Chelmsford, Massachusetts	Hasselt, Belgium	East Bridgewater, Massachusetts
Greenville, South Carolina	Iasi, Romania	Hasselt, Belgium
Plano, Texas	Manila, Philippines	Kansas City, Kansas
St. Petersburg, Florida	Uxbridge, United Kingdom	
	Valencia, Spain	

As of December 31, 2025, our operational facilities were for the following use and square footage by segment:

Description of Use	United States	International	Total
Office space	28,850	38,963	67,813
Fulfillment facilities	623,948	4,402	628,350
Total	652,798	43,365	696,163

Segment	Leased Sq Ft
Customer Care	49,615
Fulfillment & Logistics	628,350
Revenue Solutions	11,947
	689,912
Corporate office	6,251
Total	696,163

We believe our facilities to be suitable and adequate for our business and operations as currently administered.

LEGAL PROCEEDINGS

In the ordinary course of its business, the Company is involved in various legal proceedings involving a variety of matters. The Company does not believe there are any pending legal proceedings that will have a material impact on the Company’s financial position or results of operations.

MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market

Our common stock is listed for trading on the NASDAQ under the symbol “HHS”. As of January 31, 2026, there were approximately 593 common stockholders of record.

Dividend Policy

The Company currently does not pay any dividends and any future dividend payment is at the discretion of the Board of Directors.

Cautionary Note About Forward-Looking Statements

This report, including this Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”), contains “forward-looking statements” within the meaning of the federal securities laws. All such statements are qualified by the cautionary note included under “Forward-Looking Statements” above, which is provided pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. Actual results may vary materially from what is expressed in or indicated by the forward-looking statements, for the reasons described in this MD&A, in the Risk Factors in Item 1A above or elsewhere in this Annual Report on Form 10-K.

Overview

The following MD&A section is intended to help the reader understand the results of operations and the financial condition of Harte Hanks. This section is provided as a supplement to, and should be read in conjunction with, our Consolidated Financial Statements and the accompanying notes included herein.

Harte Hanks, Inc. is a leading global customer experience company operating in three business segments: Revenue Solutions formerly referred to as Marking Services, Customer Care, and Fulfillment & Logistics Services. Our mission is to partner with clients to provide them with robust customer-experience, or CX strategy, data-driven analytics, and actionable insights combined with seamless program execution to better understand, attract, and engage their customers. Our services include strategic planning, data strategy, performance analytics, creative development, and execution; technology enablement; marketing automation; B2B and B2C e-commerce; cross-channel customer care; and product, print, and mail fulfillment.

We are affected by the general, national, and international economic and business conditions in the markets where we and our customers operate. Marketing budgets are largely discretionary in nature and, as a consequence, are easier for our clients to reduce in the short-term than other expenses. Our revenues are also affected by the economic fundamentals of each industry that we serve, the expansion of alternative channels, various market factors, including the demand for services by our clients, the financial condition of and budgets available to our clients, and regulatory factors, among other factors. Due to the recent increases in inflation and interest rates throughout the globe, as well as the ongoing armed conflicts in multiple regions, there is continued uncertainty and volatility in the global economy. We remain committed to executing our multichannel strategy while also continuing to adjust our cost structure to appropriately reflect our operations and outlook.

Management is closely monitoring inflation and wage pressure in the market, and the potential impact on our business. While inflation has not had a material impact on our business, it is possible a material increase in inflation could have an impact on our clients, and in turn, on our business.

Results of Operations

Operating results from operations were as follows:

<i>In thousands, except per share amounts</i>	Year Ended December 31,		
	2025	% Change	2024
Operating revenue	\$ 159,570	-13.9%	\$ 185,242
Operating expenses	159,184	-13.1%	183,149
Operating income	\$ 386	-81.6%	\$ 2,093
Operating margin	0.2%	-78.6%	1.1%
Other expenses, net	1,394	-96.5%	40,027
Income tax benefit	(197)	-97.4%	(7,637)
Net loss	\$ (811)	-97.3%	\$ (30,297)
Diluted EPS from operations	\$ (0.11)	-97.4%	\$ (4.15)

Year Ended December 31, 2025 vs. Year Ended December 31, 2024

Consolidated Results

Revenues

Revenues of \$159.6 million for the year ended December 31, 2025 decreased \$25.6 million, or 13.9%, when compared to \$185.2 million for the year ended December 31, 2024. Revenue in the Revenue Solutions segment declined \$15.2 million, or 30.2%, to \$35.1 million; our Fulfillment & Logistics Services declined \$7.6 million, or 9.3%, to \$74.4 million; revenue in our Customer Care segment declined \$2.9 million, or 5.4%, to \$50.1 million. Please see segment results below for additional information on the changes in revenue year over year.

Operating Expenses

Operating expenses of \$159.2 million for the year ended December 31, 2025 decreased \$24.0 million, or 13.1%, when compared to \$183.1 million for the year ended December 31, 2024.

Labor costs decreased by \$12.9 million, or 13.8%, when compared to the year ended December 31, 2024, primarily due to the reduction in salary and wages as operations were optimized to account for lower revenue. Termination of senior management staff also resulted in lower stock based compensation.

Production and Distribution expenses decreased \$6.7 million, or 11.9%, when compared to the year ended December 31, 2024, primarily driven by lower transportation costs in proportion with our lower revenues in our logistics business.

Advertising, Selling, and General and Administrative expenses decreased \$0.6 million or 2.5%, when compared to the year ended December 31, 2024 primarily due to the lower sales expenses from lower revenue as well as lower professional expenses, which was partially offset by increased technology expenses.

Restructuring expenses decreased \$0.6 million to \$1.8 million for the year ended December 31, 2025. The restructuring expenses included \$0.2 million of consulting expenses, \$1.3 million of severance charges, and \$0.3 million of facility related and other expenses.

2024 operating expenses also included impairment charges of \$1.6 million and \$1.5 million for goodwill and intangible assets. There were no impairment charges incurred for goodwill and intangible assets in 2025.

Depreciation expense increased \$0.1 million, or 2.0%, when compared to the year ended December 31, 2024.

The largest components of our operating expenses are labor, transportation expenses and outsourced costs. Each of these costs is, at least in part, variable and tends to fluctuate in line with revenues and the demand for our services. Transportation rates have decreased over the last year due to changes in demand and supply within the transportation industry. Future changes in transportation expenses will continue to impact our total production costs and total operating expenses and in turn our margins. Postage costs of mailings are borne by our clients and are not directly reflected in our revenues or expenses.

Other Expenses, net

The total other expenses, net were \$1.4 million for the year ended December 31, 2025, when compared to other expense, net of \$40.0 million for the year ended December 31, 2024. This \$38.6 million decrease in other expenses was mainly due to \$37.5 million of pension termination charges booked in the year ended December 31, 2024.

Income Tax Benefit

Our 2025 income tax benefit was \$0.2 million for the year ended December 31, 2025, when compared to tax benefit of \$7.6 million for the year ended December 31, 2024. The decrease in tax benefit of \$7.4 million was primarily related to the one time pension termination charge booked in the year ended December 31, 2024.

Segment Results

The following is a discussion and analysis of the results of our reporting segments for the years ended December 31, 2025 and 2024. There are three principal financial measures reported to our President (the chief operating decision maker) for use in assessing segment performance and allocating resources. Those measures are revenues, operating income and operating income plus depreciation and amortization (“EBITDA”). EBITDA is considered a non-GAAP financial measure. A reconciliation of EBITDA to operating income is included below.

Revenue Solutions:

In thousands	Year Ended December 31,			
	2025		% Change	2024
Operating revenues	\$	35,128	-30.2%	\$ 50,332
EBITDA		5,584	7.8%	5,182
Depreciation and amortization expense		797	-45.4%	1,459
Operating income		4,787	28.6%	3,723
Operating income % of revenue		13.6%	84.2%	7.4%

Revenue Solutions segment revenue declined \$15.2 million, or 30.2%, due to customer turnover and additional client spending reductions. This segment is our most economically sensitive segment with regard to changes in our clients’ marketing strategies. Operating income for the year ended December 31, 2025 increased \$1.1 million improving operating income by 28.6% mainly due to the 2024 impairment of goodwill and intangible assets.

Customer Care:

In thousands	Year Ended December 31,		
	2025	% Change	2024
Operating revenues	\$ 50,067	-5.4%	\$ 52,918
EBITDA	6,245	-38.3%	10,128
Depreciation and amortization expense	266	28.5%	207
Operating income	5,979	-39.7%	9,921
Operating income % of revenue	11.9%	-36.3%	18.7%

Customer Care segment revenue declined \$2.9 million, or 5.4% when compared to the prior year, which was impacted by fluctuations based on the geographic regions customers select for staff support. Existing customers who shift current programs to our lower cost off-shore markets can reduce revenues as the per agent cost is lower. We are leveraging our Amazon Connect cloud-based platform to test and pilot new AI tools, and are exploring how we can augment growth by providing more technical support as clients migrate to more capable contact center platforms. Operating income for the year ended December 31, 2025 decreased by \$3.9 million to \$6.0 million, or 39.7%, primarily due to higher technology costs, tighter margins in a competitive marketplace and reduced revenue.

Fulfillment & Logistics:

In thousands	Year Ended December 31,		
	2025	% Change	2024
Operating revenues	\$ 74,375	-9.3%	\$ 81,992
EBITDA	6,551	13.7%	5,761
Depreciation and amortization expense	2,214	76.3%	1,256
Operating income	4,337	-3.7%	4,505
Operating income % of revenue	5.8%	6.1%	5.5%

Fulfillment & Logistics segment revenue declined \$7.6 million, or 9.3%, primarily due to lost customers and the lower revenue from existing customers not being offset by growth in new programs and customers. For the year ended December 31, 2025, operating income was \$4.3 million, a decrease of \$0.2 million or 3.7%. The decrease in operating income was primarily the result of lower revenue. Operating income as a percent of revenue improved with the continued focus on operational optimization.

Liquidity and Capital Resources

Sources and Uses of Cash

Our cash and cash equivalent balances were \$5.6 million and \$9.9 million as of December 31, 2025, and 2024, respectively. As of December 31, 2025 and 2024, we had the ability to borrow approximately \$24.3 million and \$24.0 million under our Credit Facility, respectively.

Our principal sources of liquidity are cash on hand, cash provided by operating activities, and borrowings available under our Credit Facility. Our cash is primarily used for general corporate purposes, working capital requirements, and capital expenditure. At this time, we believe that we will be able to continue to meet our liquidity requirements and fund our fixed obligations such as finance and operating leases and unfunded pension plan benefit payments and other needs for our operations in the short term and beyond. Although the Company believes that it will be able to meet its cash needs for the short and medium term, if unforeseen circumstances arise, the company may need to seek alternative sources of liquidity.

Operating Activities

Net cash used in operating activities was \$1.7 million for the year ended December 31, 2025, when compared to cash used in operating activities of \$3.0 million for the year ended December 31, 2024. The \$1.3 million year-over-year decrease in cash used in operating activities was primarily due to changes in assets and liabilities.

Investing Activities

Net cash used in investing activities was \$2.8 million for the year ended December 31, 2025, compared to cash used in investing activities of \$3.7 million for the year ended December 31, 2024. The \$0.9 million decrease was mainly driven by \$0.9 million lower property, plant and equipment purchase in the year ended December 31, 2025, as compared to the year ended December 31, 2024.

Financing Activities

Net cash provided by financing activities was \$0.5 million for the year ended December 31, 2025, compared to \$0.4 million net cash used in financing activities for the year ended December 31, 2024. The \$0.9 million increase in cash provided by financing activities was primarily related to the \$1.1 million of cash we received for the recovery of short-swing profit from one shareholder in the year ended December 31, 2025, which was partially offset by \$0.3 million of tax liability associated with this short-swing profit.

Foreign Holdings of Cash

Consolidated foreign holdings of cash as of December 31, 2025, and 2024 were \$2.2 million and \$1.5 million, respectively. The Company will repatriate foreign cash holdings when and if it is financially efficient to do so.

Long Term Debt

On December 21, 2021, the Company entered into a three-year, \$25.0 million asset-based revolving credit facility (the "Credit Facility") with Texas Capital Bank ("TCB"). The Company's obligations under the Credit Facility are guaranteed on a joint and several basis by the Company's material subsidiaries (the "Guarantors"). The Credit Facility is secured by substantially all the assets of the Company and the Guarantors pursuant to a Pledge and Security Agreement, dated as of December 21, 2021, among the Company, TCB and the Guarantors party thereto (the "Security Agreement"). On December 29, 2023, the Company extended the maturity date for the Credit Facility by a period of six months to June 30, 2025. The extension was executed with substantially similar terms and conditions as the original Credit Facility. On June 24, 2025, the Company entered into a second amendment to the Credit Facility (the "Second Amendment") with TCB which extended the maturity date for the Credit Facility by a period of three years to June 30, 2028. The Second Amendment also includes an accordion feature that allows the Company to seek up to a \$10.0 million increase in commitments under the credit line, subject to TCB approval.

The Credit Facility provides for loans up to the lesser of (a) \$25.0 million or (b) the amount available under a “borrowing base” calculated primarily by reference to the Company’s cash and cash equivalents and accounts receivables. The Credit Facility allows the Company to use up to \$3.0 million of its borrowing capacity to issue letters of credit.

The loans under the Credit Facility accrue interest at a varying rate equal to the Secured Overnight Financing Rate (“SOFR”) plus a margin of 2.25% per annum. The outstanding amounts advanced under the Credit Facility are due and payable in full on June 30, 2028.

The Company may repay and reborrow all or any portion of the loans advanced under the Credit Facility at any time, without premium or penalty. The Credit Facility is subject to mandatory prepayments (i) from the net proceeds of asset dispositions not otherwise permitted under the Credit Facility; (ii) if the unpaid principal balance under the Credit Facility plus the aggregate face amount of all outstanding letters of credit exceeds the borrowing base; (iii) in an amount equal to 50% of the net proceeds of issuances of capital stock (subject to customary exceptions); or (iv) in an amount equal to the net proceeds from any issuance of debt not otherwise permitted under the Credit Facility.

The Credit Facility contains certain covenants restricting the Company’s and its subsidiaries’ ability to create, incur, assume or become liable for indebtedness; make certain investments; pay dividends or repurchase the Company’s stock; create, incur or assume liens, consummate mergers or acquisitions, liquidate, dissolve, suspend or cease operations, or modify accounting or tax reporting methods (other than as required by accounting principles generally accepted in the United States of America (“GAAP”)).

As of December 31, 2025 and 2024, we had no borrowings outstanding under the Credit Facility. At each of December 31, 2025 and 2024, we had letters of credit outstanding in the amount of \$0.7 million and \$1.0 million, respectively. No amounts were drawn against these letters of credit at December 31, 2025 and 2024. These letters of credit exist to support insurance programs relating to workers’ compensation, medical insurance, and reducing the cash security deposit on leased property. We had no other off-balance sheet financing activities at December 31, 2025 and 2024. After the letters of credit on December 31, 2025 and 2024, we had the ability to borrow up to \$24.3 million and \$24.0 million, respectively, under the Credit Facility.

Dividends

We did not pay any dividends in either 2025 or 2024. Any future dividend declaration can be made only upon, and subject to, approval of our Board of Directors, and will depend on our results of operations, financial condition, cash requirements, future business prospects, contractual and indenture restrictions and other factors deemed relevant by our Board of Directors.

Share Repurchase

On May 2, 2023, the Board of Directors of Harte Hanks approved a share repurchase program to maximize shareholder value with authorization to repurchase \$6.5 million of the Company’s Common Stock. During 2023, 391,785 shares of common stock were repurchased for a total combined purchase price of \$2.4 million. In 2025 and 2024, no shares of common stock were repurchased.

Outlook

We consider such factors as total cash and cash equivalents and restricted cash, current assets, current liabilities, total debt, revenues, operating income, cash flows from operations, investing activities, and financing activities when assessing our liquidity. Our management of cash is designed to optimize returns on cash balances and to ensure that it is readily available to meet our operating, investing, and financing requirements as they arise. We believe that there are no conditions or events, considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern for the twelve months following the issuance of the Consolidated Financial Statements.

Critical Accounting Estimates

Our Consolidated Financial Statements are prepared in accordance with GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions based on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Our actual results could differ from these estimates under different assumptions or conditions. The areas that we believe involve the most significant management estimates and assumptions are detailed below. On an ongoing basis, management reviews its estimates and assumptions based on currently available information.

Management believes that the following are critical accounting estimates:

Revenue Recognition

We recognize revenue upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to be entitled to receive in exchange for those products or services based on the relevant contract.

Revenue recognition requires management to apply judgment in identifying performance obligations and determining the timing and amount of revenue recognized under customer contracts. Certain client programs provide for adjustments to billings based upon whether we achieve certain performance criteria which requires us to estimate variable consideration.

Income Taxes

We are subject to income taxes in the United States and numerous other jurisdictions. Significant judgment is required in determining our provision for income taxes and income tax assets and liabilities, including evaluating uncertainties in the application of accounting principles and complex tax laws.

We record a provision for income taxes for the anticipated tax consequences of the reported results of operations using the asset and liability method. Under this method, we recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities, as well as for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to taxable income for the years in which those tax assets and liabilities are expected to be realized or settled. We record a valuation allowance to reduce our deferred tax assets to the net amount that we believe is more likely than not to be realized. A material valuation allowance is recorded for foreign and specific state jurisdictions.

We recognize tax benefits from uncertain tax positions only if we believe that it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. Although we believe that we have adequately reserved for our uncertain tax positions, we can provide no assurance that the final tax outcome of these matters will not be materially different. We adjust these reserves when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made and could have a material impact on our financial condition and operating results. The provision for income taxes includes the effects of any reserves that we believe are appropriate, as well as the related net interest and penalties.

Goodwill and other Intangibles

Goodwill is reviewed for impairment at least annually during the fourth quarter, or more frequently if events occur indicating the potential for impairment. During the goodwill impairment review, the Company may assess qualitative factors to determine whether it is more likely than not that the fair value of its reporting unit is less than its carrying amount, including goodwill. The qualitative factors include, but are not limited to, macroeconomic conditions, industry and market considerations, and the overall financial performance of the Company. If, after assessing the totality of these qualitative factors, the Company determines that it is not more likely than not that the fair value of its reporting unit is less than its carrying amount, then no additional assessment is deemed necessary. Otherwise, the Company performs a quantitative goodwill impairment test in which the fair value of the reporting unit is compared to its carrying amount. Fair value is determined through various valuation techniques and assumptions such as cash flow models, discount rates, market multiples and control premiums.. The Company may also elect to bypass the qualitative assessment in a period and elect to proceed to perform the quantitative goodwill impairment test. We booked an impairment charge of \$1.6 million for goodwill in the year ended December 31, 2024 , leaving a balance of \$0.3 million. There was no goodwill impairment in the year ended December 31, 2025.

Finite-lived intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require an intangible asset to be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that intangible asset to its carrying amount. If the carrying amount of the intangible asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary. The factors that drive the estimate of useful life are often uncertain and are reviewed on a periodic basis or when events occur that warrant review. Recoverability is measured by comparing the assets' book value to future net undiscounted cash flows that the assets are expected to generate to determine if a write-down to the recoverable amount is appropriate. If such assets are written down, an impairment will be recognized as the amount by which the book value of the asset group exceeds the recoverable amount. During the year ended December 31, 2024, a significant amount of revenue from its original customers was lost. As a result, we booked an impairment loss of \$1.5 million to our intangible assets. The net carrying balance of intangible assets as of December 31, 2025 and December 31, 2024 was \$0.4 million and \$0.6 million, respectively. There was no impairment of our intangible assets during the year ended December 31, 2025.

Pension Accounting

The Company sponsors defined benefit pension plans, the obligations and related expense of which are determined using actuarial valuations. Management engages a third-party actuary to calculate the projected benefit obligation and pension expense based on standard actuarial assumptions, including the discount rate, mortality assumptions, and expected return on plan assets.

Legal and Other Contingencies

The Company is subject to various legal proceeding and claims that arise in the ordinary course of business, the outcomes of which are inherently uncertain. The Company records a liability when it is probable that a loss has been incurred and the amount is reasonably estimable, the determination of which requires significant judgment. Resolution of legal matters in a manner inconsistent with management's expectations could have a material impact on the Company's financial condition and operating results.

Harte Hanks, Inc. and Subsidiaries
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All schedules for which provision is made in the applicable rules and regulations of the SEC have been omitted as the schedules are not required under the related instructions, are not applicable, or the information required thereby is set forth in the consolidated financial statements or notes thereto.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Harte Hanks, Inc. and Subsidiaries:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Harte Hanks, Inc. and Subsidiaries (the Company) as of December 31, 2025 and 2024, the related consolidated statements of comprehensive (loss) income, changes in stockholders' equity and cash flows for each of the two years in the period ended December 31, 2025, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's 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 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 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 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 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 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 financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the 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.

Revenue from Contracts with Customers

As described in Note C to the financial statements, the Company generates revenue by offering a variety of services discrete to each of its reportable segments. Revenue recognition requires management to apply judgment in identifying performance obligations and determining the timing and amount of revenue recognized under customer contracts. Given the diversity of services offered and the judgment required to apply the relevant accounting guidance, we identified revenue recognition as a critical audit matter.

Obtaining an understanding of the Company’s accounting policies and processes for revenue recognition across its segments required significant auditor effort. We also applied subjective auditor judgment when determining the nature and extent of our audit procedures and evaluating the overall sufficiency of the audit evidence obtained.

Addressing this critical audit matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. These procedures include, among others: i) obtaining, reading and assessing management’s accounting policy memorandums, ii) testing a sample of revenue transactions to customer contracts, third-party source documents and other documentation, as applicable, to support the amount and timing of revenue recognized and iii) for customer contracts obtained, we evaluated the completeness and accuracy of performance obligations identified by management.

/s/ Wolf & Company, P.C.

We have served as the Company’s auditor since 2024.

Boston, Massachusetts
March 17, 2026

<i>In thousands, except per share and share amounts</i>	December 31,	
	2025	2024
ASSETS		
Current assets		
Cash and cash equivalents and restricted cash	\$ 5,587	\$ 9,934
Accounts receivable (less allowance of \$22 and \$50 at December 31, 2025 and 2024, respectively)	27,841	31,648
Contract assets and unbilled accounts receivable	7,049	8,215
Prepaid expenses	2,363	1,511
Prepaid income tax and income tax receivable	1,431	938
Other current assets	2,046	1,368
Total current assets	\$ 46,317	\$ 53,614
Net property, plant and equipment	8,386	8,956
Right-of-use assets	19,854	\$ 22,460
Other assets		
Intangible assets, net	370	563
Goodwill	295	295
Deferred tax assets, net	16,040	15,177
Other long-term assets	564	717
Total other assets	\$ 17,269	\$ 16,752
Total assets	\$ 91,826	\$ 101,782
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 13,096	\$ 13,429
Accrued expenses	5,915	8,403
Accrued payroll and related expenses	2,749	3,210
Deferred revenue and customer advances	813	1,589
Customer postage and program deposits	868	1,625
Other current liabilities	3,180	3,145
Short-term lease liabilities	3,543	3,736
Total current liabilities	\$ 30,164	\$ 35,137
Pension liabilities - Qualified plans	4,106	5,445
Pension liabilities - Nonqualified plan	16,995	17,103
Long-term lease liabilities	18,861	20,860
Other long-term liabilities	1,174	1,548
Total liabilities	\$ 71,300	\$ 80,093
Stockholders' equity		
Common stock, \$1 par value, 25,000,000 shares authorized, 12,221,484 shares issued, 7,414,794 and 7,357,450 shares outstanding at December 31, 2025 and 2024, respectively	12,221	12,221
Additional paid-in capital	109,558	124,194
Retained earnings	813,812	814,623
Less treasury stock, 4,806,690 and 4,864,034 shares at December 31, 2025 and 2024, respectively, at cost	(900,085)	(915,752)
Accumulated other comprehensive loss	(14,980)	(13,597)
Total stockholders' equity	\$ 20,526	\$ 21,689
Total liabilities and stockholders' equity	\$ 91,826	\$ 101,782

See Accompanying Notes to Consolidated Financial Statements.

Harte Hanks, Inc. and Subsidiaries Consolidated Statements of Comprehensive (Loss) Income

<i>In thousands, except per share amounts</i>	Year Ended December 31,	
	2025	2024
Operating revenue	\$ 159,570	\$ 185,242
Operating expenses		
Labor	80,823	93,769
Production and distribution	49,898	56,644
Advertising, selling, general and administrative	22,209	22,781
Restructuring expense	1,782	2,402
Goodwill impairment charge	—	1,631
Intangible assets impairment charge	—	1,537
Depreciation and amortization expense	4,472	4,385
Total operating expenses	\$ 159,184	\$ 183,149
Operating income	\$ 386	\$ 2,093
Other expenses, net		
Interest expense, net	248	187
Pension plan termination charges	—	37,505
Other expenses, net	1,146	2,335
Total other expenses, net	\$ 1,394	\$ 40,027
Loss before income taxes	(1,008)	(37,934)
Income tax benefit	(197)	(7,637)
Net loss	\$ (811)	\$ (30,297)
Loss per common share		
Basic and Diluted	\$ (0.11)	\$ (4.15)
Weighted-average shares used to compute loss per share attributable to common shares		
Basic and Diluted	7,393	7,293
Comprehensive income, net of tax		
Net loss	\$ (811)	\$ (30,297)
Adjustment to pension liabilities, net of tax benefit of \$180 and \$11,492	(1,014)	32,273
Foreign currency translation adjustments	(369)	(1,780)
Total other comprehensive (loss) income, net of tax	\$ (1,383)	\$ 30,493
Comprehensive (loss) income	\$ (2,194)	\$ 196

See Accompanying Notes to Consolidated Financial Statements.

Harte Hanks, Inc. and Subsidiaries Consolidated Statements of Changes in Stockholders' Equity

<i>In thousands</i>	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive (loss) income	Total Stockholders' Equity
Balance at December 31, 2023	\$ 12,221	\$ 157,889	\$ 844,920	\$ (951,083)	\$ (44,090)	\$ 19,857
Stock-based compensation	—	1,931	—	—	—	1,931
Vesting of RSUs	—	(35,626)	—	35,331	—	(295)
Net loss	—	—	(30,297)	—	—	(30,297)
Other comprehensive income	—	—	—	—	30,493	30,493
Balance at December 31, 2024	\$ 12,221	\$ 124,194	\$ 814,623	\$ (915,752)	\$ (13,597)	\$ 21,689
Stock-based compensation	—	258	—	—	—	258
Vesting of RSUs	—	(15,732)	—	15,667	—	(65)
Net Recovery of short swing profits	—	838	—	—	—	838
Net loss	—	—	(811)	—	—	(811)
Other comprehensive loss	—	—	—	—	(1,383)	(1,383)
Balance at December 31, 2025	\$ 12,221	\$ 109,558	\$ 813,812	\$ (900,085)	\$ (14,980)	\$ 20,526

See Accompanying Notes to Consolidated Financial Statements.

In thousands	Year Ended December 31,	
	2025	2024
Cash Flows from Operating Activities		
Net loss	\$ (811)	\$ (30,297)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities		
Depreciation and amortization expense	4,472	4,385
Restructuring expense	—	158
Impairment charges for goodwill and intangible assets	—	3,168
Stock-based compensation	258	1,931
Net pension cost	(2,343)	30,576
Deferred income taxes	(928)	(9,279)
Changes in assets and liabilities:		
Accounts receivable, net and contract assets	4,973	2,385
Prepaid expenses, income tax receivable and other current assets	(1,885)	703
Accounts payable and accrued expenses	(3,210)	(795)
Deferred revenue and customer advances	(776)	(1,606)
Customer postage and program deposits	(757)	(190)
Other accrued expenses and liabilities	(728)	(4,126)
Net cash used in operating activities	\$ (1,735)	\$ (2,987)
Cash Flows from Investing Activities		
Purchases of property, plant and equipment	(2,757)	(3,746)
Proceeds from the sale of property, plant and equipment	1	2
Net cash used in investing activities	\$ (2,756)	\$ (3,744)
Cash Flows from Financing Activities		
Debt financing costs	(100)	—
Payment of finance leases	(159)	(124)
Recovery of short-swing profit from stockholders	838	—
Treasury stock activities	(65)	(295)
Net cash provided by (used in) financing activities	\$ 514	\$ (419)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(370)	(1,780)
Net decrease in cash and cash equivalents and restricted cash	(4,347)	(8,930)
Cash and cash equivalents and restricted cash at beginning of year	9,934	18,864
Cash and cash equivalents and restricted cash at end of year ⁽¹⁾	\$ 5,587	\$ 9,934
(1) This amount is comprised of the below balances:		
Cash and cash equivalents	5,582	9,810
Restricted cash	5	124
	\$ 5,587	\$ 9,934
Supplemental disclosures:		
Cash paid for interest	\$ 292	\$ 234
Cash (received) for interest	\$ (123)	\$ (236)
Cash paid for income taxes, net of refunds	\$ 1,779	\$ 1,452
Non-cash investing and financing activities:		
Purchases of property, plant and equipment included in accounts payable and accrued expense	\$ 498	\$ 1,257
Right-of-use assets acquired through operating leases	\$ 1,252	\$ 303

See Accompanying Notes to Consolidated Financial Statements

Harte Hanks, Inc. and Subsidiaries Notes to Consolidated Financial Statements

Note A — Background and Basis of Presentation

Background

Harte Hanks, Inc. together with its subsidiaries (“Harte Hanks,” “Company,” “we,” “our,” or “us”) is a leading global customer experience company. With offices in North America, Asia-Pacific and Europe, Harte Hanks works with some of the world’s most respected brands.

Basis of Presentation

Consolidation

The accompanying audited consolidated financial statements include the accounts of Harte Hanks, Inc. and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. As used in this report, the terms “Harte Hanks,” “the Company,” “we,” “us,” or “our” may refer to Harte Hanks, Inc., one or more of its consolidated subsidiaries, or all of them taken as a whole, as the context may require.

Operating Expense Presentation in the Consolidated Statements of Comprehensive (Loss) Income

The “Labor” line in the Consolidated Statements of Comprehensive (Loss) Income includes all employee payroll and benefits costs, including stock-based compensation and temporary labor costs. The “Production and distribution” and “Advertising, selling, general and administrative” lines do not include labor, depreciation, or amortization expense. Certain labor costs are included in restructuring expense, please see Note M for details.

Note B — Significant Accounting Policies

Use of Estimates

Preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements and the accompanying notes. Actual results could differ materially from those estimates due to uncertainties. Such estimates include, but are not limited to, estimates related to revenue recognition; income taxes; goodwill and intangible assets impairment as well as pension accounting. On an ongoing basis, management reviews its estimates and assumptions based on currently available information. Changes in facts and circumstances could result in revised estimates and assumptions.

Segment Reporting

The Company operates three business segments: Revenue Solutions; Customer Care; and Fulfillment & Logistics Services. Our President is considered to be our chief operating decision maker (CODM). Our President reviews our operating results on an aggregate basis for purposes of allocating resources and evaluating financial performance by using the three financial measures: revenue, operating income and operating income plus depreciation and amortization (EBITDA).

Cash Equivalents

All highly liquid investments with an original maturity of 90 days or less at the time of purchase are considered to be cash equivalents. Cash equivalents are carried at cost, which approximates fair value.

Restricted Cash

In our normal business operation, we receive cash from our customers for certain customer program service funding. As these programs impose legal restrictions on the commingling of funds, we present this cash as restricted cash.

Accounts Receivable and Allowance for Credit Losses

Accounts receivables are recorded and carried at the original invoiced amount less an allowance for any potential uncollectible amounts. We make estimates of expected credit and collectability trends for the allowance for credit losses based upon our assessment of various factors, including historical experience, the age of the accounts receivable balances, credit quality of our customers, current and future economic conditions that may affect the Company's expectation of the collectability in determining the allowance for credit losses. Provisions for expected credit losses are recorded in the "Advertising, selling, general, and administrative" line of our Consolidated Statements of Comprehensive (Loss) Income. As of December 31, 2025 and 2024, our accounts receivables, net, were \$27.8 million and \$31.6 million, respectively.

The changes in the allowance for credit losses accounts consisted of the following:

In thousands	December 31,	
	2025	2024
Balance at beginning of year	\$ 50	\$ 474
Net charges to expense	27	(86)
Amounts recovered against the allowance	(55)	(338)
Balance at end of year	\$ 22	\$ 50

Unbilled receivables

For the majority of service contracts, the Company performs the services prior to billing the client, and this amount is captured as Unbilled accounts receivable, net on the consolidated balance sheet. Billing usually occurs in the month after the Company performs the services or in accordance with the specific contractual provisions.

Geographic Concentrations

Depending on the needs of our clients, our services are provided through an integrated approach through twelve facilities worldwide, of which six are located outside of the U.S.

The following table provides information about the operations in different geographic for the periods indicated:

Revenue⁽¹⁾

In thousands	Year Ended December 31,	
	2025	2024
United States	\$ 144,338	\$ 167,787
Other countries	15,232	17,455
Total revenue	\$ 159,570	\$ 185,242

⁽¹⁾ Geographic revenues are based on the location of the service being performed.

Property, plant and equipment, net⁽²⁾

In thousands	December 31,	
	2025	2024
United States	\$ 7,279	\$ 8,374
Other countries	1,107	582
Net property, plant and equipment	\$ 8,386	\$ 8,956

⁽²⁾ Property, plant and equipment are based on physical location.

Credit Risk and Concentration

Accounts receivables are typically unsecured and are derived from revenue earned from customers across different industries and countries. We perform ongoing credit evaluations of our customers and generally do not require collateral. In the event that the accounts receivable collection cycle deteriorates, our operating results and financial position could be adversely affected.

Our top customer represented 12.3% and 11.9% of total accounts receivable as of December 31, 2025 and 2024, respectively.

Revenue by Top Customers

The table below sets forth the percentage of our total revenue derived from our largest customers:

	Year Ended December 31,	
	2025	2024
Top ten customers	43.2%	46.2%
Top twenty-five customers	68.3%	72.1%

Our top customer represented 10.5% and 9.4% of total revenue for the years ended December 31, 2025 and 2024, respectively.

Revenue Recognition

We recognize revenue upon the transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to be entitled to receive in exchange for those products or services based on the relevant contract. We apply the following five-step revenue recognition model:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when (or as) we satisfy the performance obligation.

Certain client programs provide for adjustments to billings based upon whether we achieve certain performance criteria. In these circumstances, revenue is recognized when the foregoing conditions are met. We record revenue net of any taxes collected from customers and subsequently remitted to governmental authorities. Any payments received in advance of the performance of services or delivery of the product are recorded as deferred revenue until such time as the services are performed or the product is delivered. Costs incurred for search engine marketing solutions payable to the engine host and postage costs of mailings are billed to our clients and are not directly reflected in our revenue.

Revenue from agency and digital services, direct mail, logistics, fulfillment and contact center is recognized as the work is performed. Fees for these services are determined by the terms set forth in each contract. These fees are typically a set fixed price or rate by transaction occurrence, service provided, time spent, or product delivered.

Fair Value of Financial Instruments

Financial Accounting Standards Board (“FASB”) Accounting Standard Codification (“ASC”) 820, *Fair Value Measurements and Disclosures*, (“ASC 820”) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy that prioritizes the inputs used in valuation methodologies into three levels:

- 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.

Because of their maturities and/or variable interest rates, certain financial instruments have fair values approximating their carrying values. These instruments include cash and cash equivalents and restricted cash, accounts receivable, trade payables, and debt. The fair value of the assets in our funded pension plan is disclosed in Note H, *Employee Benefit Plans*.

Property, Plant and Equipment

Property, plant and equipment, net consist of the following:

In thousands	December 31,	
	2025	2024
Property, plant and equipment		
Buildings and improvements	\$ 5,284	\$ 4,550
Equipment and furniture	16,156	20,336
Software	19,949	19,799
Software development and equipment installations in progress	1,613	1,906
Gross property, plant and equipment	43,002	46,591
Less accumulated depreciation	(34,616)	(37,635)
Net property, plant and equipment	\$ 8,386	\$ 8,956

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The general ranges of estimated useful lives are:

	Years
Buildings and improvements	3 to 40
Software	2 to 5
Equipment and furniture	3 to 20

For the year ended December 31, 2025, the Company recorded \$4.1 million of depreciation expense compared to \$3.5 million for the year ended December 31, 2024.

Capitalized software costs for internally developed software and implementation of third-party software are amortized over a period of three to five years. On an ongoing basis, management reviews the valuation of these software costs to determine if there has been impairment to the carrying value of these assets and adjusts this value accordingly.

Long-lived assets such as property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The carrying amount of a long-lived asset group is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset group.

Leases

We determine if an arrangement is a lease at its inception. Operating and finance leases are included in the lease right-of-use (“ROU”) assets and in the current portion and long-term portion of lease liabilities on 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 the commencement date of each lease based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit interest rate, we use our incremental borrowing rate based on the information available at commencement date of each lease to determine the present value of lease payments. The operating lease ROU assets also include any lease payments made and exclude lease incentives. Our lease terms may include options to extend or terminate the lease, which are included in the lease ROU assets 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 have lease agreements with lease and non-lease components, which are generally accounted for separately. For certain real estate leases, we account for the lease and non-lease components as a single lease component.

Goodwill

Goodwill is the amount by which the cost of the acquired net assets in a business combination exceeds the fair value of the identifiable net assets on the date of purchase. Goodwill is not amortized. Goodwill is reviewed for impairment at least annually during the fourth quarter, or more frequently if events occur indicating the potential for impairment.

The Company has three reporting segments, but the current goodwill balance is booked in the Revenue Solutions segment. During its goodwill impairment review, the Company may assess qualitative factors to determine whether it is more likely than not that the fair value of its reporting unit is less than its carrying amount, including goodwill. The qualitative factors include, but are not limited to, macroeconomic conditions, industry and market considerations, and the overall financial performance of the Company. If, after assessing the totality of these qualitative factors, the Company determines that it is not more likely than not that the fair value of its reporting unit is less than its carrying amount, then no additional assessment is deemed necessary. Otherwise, the Company performs a quantitative goodwill impairment test. The Company may also elect to bypass the qualitative assessment in a period and elect to proceed to perform the quantitative goodwill impairment test. There was no goodwill impairment in the year ended December 31, 2025. We booked an impairment charge of \$1.6 million for goodwill in the year ended December 31, 2024, leaving a balance of \$0.3 million.

Intangible Assets

Intangible assets consist of finite-lived intangible assets acquired through the Company’s business combinations. Such amounts are initially recorded at fair value and subsequently amortized over their useful lives using the straight-line method, which reflects the pattern of benefit, and assumes no residual value.

Finite-lived intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require an intangible asset to be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that intangible asset to its carrying amount. If the carrying amount of the intangible asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary.

The factors that drive the estimate of useful life are often uncertain and are reviewed on a periodic basis or when events occur that warrant review. Recoverability is measured by comparing the assets’ book value to future net undiscounted cash flows that the assets are expected to generate to determine if a write-down to the recoverable amount is appropriate. If such assets are written down, an impairment will be recognized as the amount by which the book value of the asset group exceeds the recoverable amount. There was no impairment of our intangible assets during the year ended December 31, 2025. During the year ended December 31, 2024, revenue from its original customer base was lost. As a result, we booked an impairment loss of \$1.5 million to our intangible assets. The net carrying balance of intangible assets as of December 31, 2024 was \$0.6 million.

A summary of the Company’s intangible asset as of December 31, 2025, is as follows:

<i>In thousands</i>	Weighted Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer Relationships	5 years	\$ 2,102	\$ 1,732	\$ 370

Estimated future amortization expense related to intangible assets as of December 31, 2025, is as follows:

<i>In thousands</i>	
Year Ending December 31,	Amount
2026	\$ 193
2027	177
Total	\$ 370

Income Taxes

Income tax expense includes U.S. and international income taxes accounted for under the asset and liability method. Certain income and expenses are not reported in tax returns and financial statements in the same year. Such temporary differences are reported as deferred tax. Deferred tax assets are reported net of valuation allowances where we have assessed that it is more likely than not that a tax benefit will not be realized.

Earnings Per Share

Basic earnings per common share are based upon the weighted-average number of common shares outstanding during the period. Diluted earnings per common share are based upon the weighted-average number of common shares and dilutive common stock equivalents outstanding during the period. Dilutive common stock equivalents are calculated based on the assumed exercise of stock options and vesting of unvested shares using the treasury stock method.

Stock-Based Compensation

All share-based awards are recognized as operating expense in the “Labor” line of the Consolidated Statements of Comprehensive (Loss) Income. Calculated expense is based on the fair values of the awards on the date of grant and is recognized over the requisite service period or performance period of the awards. We account for forfeitures as they occur.

Reserve for Healthcare Benefit and Worker’s Compensation Liability

We are self-insured for the majority of our healthcare insurance. We pay actual medical claims up to a stop loss limit of \$0.4 million. The reserve is estimated using current claims activity, historical experience, and claims incurred but not reported. We use loss development factors that consider both industry norms and company specific information. Our liability is recorded at the estimate of the ultimate cost of claims at the balance sheet date. On December 31, 2025 and 2024, our reserve for healthcare, and workers’ compensation, net, was \$1.1 million and were included in accrued liabilities. Periodic changes to the reserve for workers’ compensation are recorded as increases or decreases to insurance expense, which is included in the “Advertising, selling, general and administrative” line of our Consolidated Statements of Comprehensive (Loss) Income. Periodic changes to the reserve for healthcare are recorded as increases or decreases to employee benefits expense, which is included in the “Labor” line of our Consolidated Statements of Comprehensive (Loss) Income.

Foreign Currencies

In most instances, the functional currencies of our foreign operations are the local currencies. Assets and liabilities recorded in foreign currencies are translated in U.S. dollars at the exchange rate on the balance sheet date. Revenue and expenses are translated at average rates of exchange prevailing during a given month. Adjustments resulting from this translation are charged or credited to other comprehensive income.

Recent Accounting Pronouncements

Recent Accounting Guidance Adopted in the Current Year

In December 2023, FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures* (“ASU 2023-09”). ASU 2023-09 amends ASC 740, *Income Taxes* to expand income tax disclosures and requires that the Company disclose (i) the income tax rate reconciliation using both percentages and reporting currency amounts; (ii) specific categories within the income tax rate reconciliation; (iii) additional information for reconciling items that meet a quantitative threshold; (iv) the composition of state and local income taxes by jurisdiction; and (v) the amount of income taxes paid disaggregated by jurisdiction. The Company adopted ASU 2023-09 for the year ended December 31, 2025 on a prospective basis. See *Note I. Income Taxes* for additional information.

Recent Accounting Guidance Not Yet Adopted

In November 2024, FASB issued ASU 2024-03, *Disaggregation of Income Statement Expenses* (Subtopic 220-40). The ASU requires the disaggregated disclosure of specific expense categories, including purchases of inventory, employee compensation, depreciation, and amortization, within relevant income statement captions. This ASU also requires disclosure of the total amount of selling expenses along with the definition of selling expenses. The ASU is effective for annual periods beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. Adoption of this ASU can either be applied prospectively to consolidated financial statements issued for reporting periods after the effective date of this ASU or retrospectively to any or all prior periods presented in the consolidated financial statements. Early adoption is also permitted. This ASU will likely result in the required additional disclosures being included in our consolidated financial statements, once adopted. We are currently evaluating the provisions of this ASU.

In July 2025, the FASB issued ASU 2025-05, which amends ASC 326-20 to provide a practical expedient (for all entities) relating to the estimation of expected credit losses for current accounts receivable and current contract assets that arise from transactions accounted for under ASC 606. ASU 2025-05 is effective for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods, with early adoption permitted. The Company is currently evaluating the impact that this ASU will have on our consolidated financial statements.

In September 2025, the FASB issued ASU 2025-06 to target improvements to the Accounting for Internal-Use Software, which simplifies the capitalization guidance by removing all references to software development project stages and clarifies the criteria to begin capitalizing cost. The amendment is effective for annual and interim periods beginning after December 15, 2027, though early adoption is permitted. The Company is currently evaluating the impact of this amendment on its Consolidated Financial Statements.

No other new accounting pronouncements recently adopted or issued had or are expected to have a material impact on the consolidated financial statements.

Note C - Operating revenue from Contracts with Customers

Our contracts with customers state the terms of sale, including the description, quantity, and price of the products sold or service provided. Payment terms can vary by contract, but the period between invoicing and when payment is due is not significant. The Company’s contracts with its customers generally do not include rights of return or a significant financing component.

Disaggregation of Revenue

We disaggregate revenue by three key revenue streams which are aligned with our business segments. The nature of the services offered by each key revenue stream is different. The following tables summarize revenue from contracts with customers for the years ended December 31, 2025, and 2024 by our three business segments:

In thousands	Year Ended December 31,	
	2025	2024
Revenue Solutions	\$ 35,128	\$ 50,332
Customer Care	50,067	52,918
Fulfillment & Logistics Services	74,375	81,992
Total Revenue	\$ 159,570	\$ 185,242

During the years ended December 31, 2025 and 2024, the Company recognized revenue of \$3.4 million and \$2.4 million from performance obligations satisfied at a point in time. The remainder of revenues recognized in 2025 and 2024 were recognized in an over time pattern. Our contracts with customers may consist of multiple performance obligations. If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price (“SSP”) basis unless the transaction price is variable and meets the criteria to be allocated entirely to a performance obligation or to a distinct good or service that forms part of a single performance obligation. For most performance obligations, we determine SSP based on the price at which the performance obligation is sold separately. Although uncommon, if the SSP is not observable through past transactions, we estimate the SSP taking into account available information such as market conditions and internally approved pricing guidelines related to the performance obligations. Further discussion of other performance obligations in each of our major revenue streams follows:

Revenue Solutions

Our Revenue Solutions segment delivers strategic planning, data strategy, performance analytics, creative development and execution, technology enablement, marketing automation, and database management. The customer can choose other services to supplement and support their own in-house sales team. These services may range from leveraging data for lead generation, and outsourcing the design and testing of sale play, to full hiring and managing of a dedicated internal sales team.

Most revenue solutions performance obligations are satisfied over time and often offered on a project basis. We have concluded that the best approach to measure the progress toward completion of the project-based performance obligations is the input method, which is based on either the costs or labor hours incurred to date depending upon whether costs or labor hours more accurately depict the transfer of value to the customer.

Our database solutions are built around centralized marketing databases with services rendered to build custom databases, database hosting services, customer or target marketing lists and data processing services.

These performance obligations, including services rendered to build a custom database, database hosting services, customer or target marketing lists and data processing services, may be satisfied over time or at a point in time. We provide software as a service (“SaaS”) solutions to host data for customers and have concluded that these solutions are stand-ready obligations to be recognized over time on a monthly basis. Our promise to provide certain data related services meets the over-time recognition criteria because our services do not create an asset with an alternative use, and we have an enforceable right to payment. For performance obligations recognized over time, we choose either the input (i.e., labor hour) or output method (i.e., number of customer records) to measure the progress toward completion depending on the nature of the services provided. Some of our other data-related services do not meet the over-time criteria and are therefore, recognized at a point-in-time, typically upon the delivery of a specific deliverable.

Our contracts may include outsourced print production work for our clients. These contracts may include a promise to purchase postage on behalf of our clients. In such cases, we have determined we are an agent, rather than principal on the postage purchase and therefore recognize net consideration as revenue.

Customer Care

We deliver customer care services in the United States, Asia and Europe to provide advanced solutions such as voice, SMS/chat, email, integrated voice response, web self-service, social cloud monitoring and analytics.

Performance obligations are stand-ready obligations and are satisfied over time. With regard to account management and SaaS, we use a time-elapsed output method to recognize revenue. For performance obligations where we charge customers a transaction-based fee, we use the output method based on transaction quantities. In most cases, our contracts provide us the right to invoice for services provided, therefore, we generally use the “as invoiced” practical expedient to recognize revenue associated with these performance obligations unless significant discounts are offered in a contract and prices for services do not represent their SSPs.

Fulfillment & Logistics Services

Our services, delivered internally and with our partners, include printing, lettershop, advanced mail optimization (including commingling services), logistics and transportation optimization, monitoring and tracking, to support traditional and specialized mailings. Our print and fulfillment centers in Massachusetts and Kansas provide custom kitting services, print on demand, product recalls, trade marketing fulfillment, e-commerce product fulfillment, sampling programs, and freight optimization, thereby allowing our customers to distribute literature and other marketing materials.

Performance obligations offered within this revenue stream may be satisfied either over time or at a point in time. Over time performance obligations utilize either the input or output method, depending on the nature of the service, to measure progress toward satisfying the performance obligation. For performance obligations where we charge customers a transaction-based fee, we utilize the output method based on the quantities fulfilled. Services provided through our fulfillment centers are typically priced at a per transaction basis and our contracts provide us the right to invoice for services provided and reflects the value to the customer of the services transferred to date. In most cases, we use the “as invoiced” practical expedient to recognize revenue associated with these performance obligations unless significant discounts are offered in a contract and prices for services do not represent their standalone selling prices. Our direct mail business contracts may have included a promise to purchase postage on behalf of our clients; in such cases, we have determined we are an agent, rather than principal and therefore recognize net consideration as revenue.

Transaction Price Allocated to Future Performance Obligations

We have elected to apply certain optional exemptions that limit the disclosure requirements over remaining performance obligations at period end to exclude performance obligations that have an original expected duration of one year or less, transactions using the “as invoiced” practical expedient, or when a performance obligation is a series and we have allocated the variable consideration directly to the services performed. As of December 31, 2025 and 2024, we had no transaction prices allocated to unsatisfied or partially satisfied performance obligations requiring disclosure, upon application of the above exemptions.

Contract Balances

We record an unbilled accounts receivable when revenue is recognized prior to invoicing when we have an unconditional right to consideration (only the passage of time is required before payment of that consideration is due) and a contract asset when the right to payment is conditional upon our future performance such as delivery of an additional good or service (e.g., customer contract requires customer's final acceptance of custom database solution or the delivery of a final marketing strategy delivery presentation before customer payment is required). If invoicing occurs prior to revenue recognition, the unearned revenue is presented on our Consolidated Balance Sheets as a contract liability, referred to as deferred revenue.

The following table summarizes our contract balances as of December 31, 2025 and 2024:

In thousands	December 31, 2025	December 31, 2024	January 1, 2024
Unbilled Accounts Receivable	\$ 6,728	\$ 7,852	\$ 7,677
Contract assets	321	363	258
Deferred revenue and customer advances	813	1,589	3,195
Deferred revenue included in other long-term liabilities	—	182	294

Revenue recognized during the year ended December 31, 2025 from amounts included in deferred revenue as of December 31, 2024 was approximately \$1.3 million. Revenue recognized during the year ended December 31, 2024 from amounts included in deferred revenue as of December 31, 2023 was approximately \$3.0 million.

Costs to Obtain and Fulfill a Contract

We recognize an asset for the direct costs incurred to obtain and fulfill our contracts with customers to the extent that we expect to recover these costs and if the benefit is longer than one year. These costs are amortized to expense over the expected period of the benefit in a manner that is consistent with the transfer of the related goods or services to which the asset relates. We impair the asset when recoverability is not anticipated. We capitalized a portion of commission expense, implementation and other costs that represent the cost to obtain a contract. The remaining unamortized contract costs were \$0.3 million and \$0.2 million as of December 31, 2025 and 2024, respectively. They are included in other current assets and other assets on our consolidated balance sheets. For the years presented, no impairment was recognized.

Note D - Leases

We have operating and finance leases for corporate and business offices, service facilities, call centers and certain equipment. Leases with an initial term of 12 months or less are generally not recorded on the balance sheet, unless the arrangement includes an option to purchase the underlying asset, or an option to renew the arrangement, that we are reasonably certain to exercise (short-term leases). Our leases have remaining lease terms of one year to seven years, some of which may include options to extend the leases for up to an additional five years.

As of December 31, 2025, assets recorded under finance and operating leases were approximately \$0.6 million and \$19.2 million respectively, and accumulated amortization associated with finance leases was \$0.3 million. As of December 31, 2024, assets recorded under finance and operating leases were approximately \$0.8 million and \$21.7 million respectively, and accumulated depreciation associated with finance leases was \$0.1 million. Operating lease right of use assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The discount rate used to determine the commencement date present value of lease payment is the interest rate implicit in the lease, or when that is not readily determinable, we utilized our incremental borrowing rate, which is the rate incurred to borrow on a collateralized basis over a similar term at an amount equal to the lease payments in a similar economic environment. Certain adjustments to the right-of-use asset may be required for items such as initial direct costs paid or incentives received.

There was no impairment of leases during the years ended December 31, 2025 and 2024.

The following tables present supplemental balance sheet information related to our financing and operating leases:

<i>In thousands</i>	As of December 31, 2025			As of December 31, 2024		
	Operating Leases	Finance Leases	Total	Operating Leases	Finance Leases	Total
Right-of-use Assets	\$ 19,247	\$ 607	\$ 19,854	\$ 21,678	\$ 782	\$ 22,460
Liabilities:						
Short-term lease liabilities	3,376	167	3,543	3,578	158	3,736
Long-term lease liabilities	18,400	461	18,861	20,235	625	20,860
Total Lease Liabilities	<u>\$ 21,776</u>	<u>\$ 628</u>	<u>\$ 22,404</u>	<u>\$ 23,813</u>	<u>\$ 783</u>	<u>\$ 24,596</u>

For the years ended December 31, 2025 and 2024, the components of lease expense were as follows:

<i>In thousands</i>	Year Ended December 31, 2025	Year Ended December 31, 2024
Operating lease cost	\$ 5,108	\$ 5,315
Finance lease cost		
Amortization of right-of-use assets	174	102
Interest on lease liabilities	55	31
Total Finance lease cost	229	133
Variable lease cost	1,484	1,875
Sublease income	—	(368)
Total lease cost, net	<u>\$ 6,821</u>	<u>\$ 6,955</u>

Other information related to leases was as follows:

<i>In thousands</i>	Year Ended December 31, 2025	Year Ended December 31, 2024
Supplemental Cash Flows Information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 8,742	\$ 11,170
Operating cash flows from finance leases	51	28
Financing cash flows from finance leases	159	124
Weighted Average Remaining Lease term (in years)		
Operating leases	5.55	6.38
Finance leases	3.55	4.53
Weighted Average Discount Rate		
Operating leases	5.89%	5.74%
Finance leases	7.77%	7.77%

The maturities of the Company's finance and operating lease liabilities as of December 31, 2025 are as follows:

<i>In thousands</i>		Operating Leases	Finance Leases
Year Ending December 31,			
2026	\$	4,492	\$ 207
2027		4,524	206
2028		4,525	206
2029		4,568	98
2030		4,485	—
2031 & Beyond		3,116	—
Total future minimum lease payments		25,710	717
Less: Imputed interest		3,934	89
Total lease liabilities	\$	21,776	\$ 628

As of December 31, 2025, we have no new operating leases that have not yet commenced.

Note E - Stock Repurchase Program

On May 2, 2023, the Board of Directors of Harte Hanks approved a share repurchase program to maximize shareholder value with authorization to repurchase \$6.5 million of the Company's Common Stock. As of December 31, 2025, the share repurchase program authorization availability was \$4.1 million. In the year ended December 31, 2025 and 2024, we didn't repurchase any shares of common stock.

Note F — Credit Facility

On December 21, 2021, the Company entered a three-year, \$25.0 million asset-based revolving credit facility (the "Credit Facility") with Texas Capital Bank ("TCB"). The Company's obligations under the Credit Facility are guaranteed on a joint and several basis by the Company's material subsidiaries (the "Guarantors"). The Credit Facility is secured by substantially all the assets of the Company and the Guarantors pursuant to a Pledge and Security Agreement, dated as of December 21, 2021, among the Company, TCB and the other Guarantors party thereto (the "Security Agreement"). On December 29, 2023, the Company extended the maturity date of the Credit Facility by a period of six months to June 30, 2025. The extension was executed with substantially similar terms and conditions as the original Credit Facility. On June 24, 2025, the Company entered into a second amendment to the Credit Facility (the "Second Amendment") with TCB which extended the maturity date for the Credit Facility by a period of three years to June 30, 2028. The Second Amendment also includes an accordion feature that allows the Company to seek up to a \$10.0 million increase in commitments under the credit line, subject to TCB approval.

The Credit Facility provides for loans up to the lesser of (a) \$25.0 million or (b) the amount available under a "borrowing base" calculated primarily by reference to the Company's cash and cash equivalents and accounts receivables. The Credit Facility allows the Company to use up to \$3.0 million on of its borrowing capacity to issue letters of credit.

The loans under the Credit Facility accrue interest at a varying rate equal to the Secured Overnight Financing Rate (SOFR) plus a margin of 2.25% per annum. The interest rate was 6.30% as of December 31, 2025. The outstanding amounts advanced under the Credit Facility are due and payable in full on June 30, 2028. As of December 31, 2025 and 2024, we had letters of credit outstanding in the amount of \$0.7 million and \$1.0 million, respectively. No amounts were drawn against these letters of credit as of December 31, 2025. These letters of credit exist to support insurance programs relating to workers' compensation, medical insurance, and reducing the cash security on leased property. The Company is charged a commitment fee of 0.25% per annum on the unused portion of the revolving credit facility.

The Credit Facility contains certain covenants restricting the Company's and its subsidiaries' ability to create, incur, assume or become liable for indebtedness; make certain investments; pay dividends or repurchase the Company's stock; create, incur or assume liens, consummate mergers or acquisitions, liquidate, dissolve, suspend or cease operations, or modify accounting or tax reporting methods (other than as required by GAAP)

As of December 31, 2025 and 2024, we had the ability to borrow an additional \$24.3 million and \$24.0 million, respectively, under the Credit Facility. As of December 31, 2025 and December 31, 2024 we had no borrowings outstanding under the Credit Facility.

Note G — Stock-Based Compensation

We maintain stock incentive plans for the benefit of certain officers, directors, and employees. Our stock incentive plans provide for the ability to issue stock options, cash stock appreciation rights, performance stock units, phantom stock units and cash performance stock units. We determined the fair value of the stock options using the Black-Scholes option pricing model and we determined the fair value of the performance stock units using Monte-Carlos simulation model.

Compensation expense for stock-based awards is based on the fair values of the awards on the date of grant and is recognized on a straight-line basis over the vesting period of the entire award in the "Labor" line of the Consolidated Statements of Comprehensive (Loss) Income. We recognized \$0.3 million and \$2.0 million of stock-based compensation expense for the years ended December 31, 2025 and 2024, respectively.

In 2020, we established our 2020 Equity Incentive Plan ("2020 Plan") which replaced the 2013 Equity Incentive Plan ("2013 Plan"). Any shares of common stock that remained eligible for issuance under the 2013 Plan are now instead eligible for issuance under the 2020 Plan. The "2013 Plan" as of December 31, 2025 and 2024, has 196,850 and 195,124 shares available for grant, respectively. In August 2020, we filed a Form S-8 to register up to an aggregate of 2,521,244 shares that may be issued under the 2020 Plan. The 2020 Plan provides for the issuance of stock-based awards to directors, employees and consultants. No additional stock-based awards will be granted under the 2013 Plan, but awards previously granted under the 2013 Plan will remain outstanding in accordance with their respective terms. As of December 31, 2025 and 2024, there were approximately 1.0 million and 1.1 million shares available, respectively, for grant under the 2020 Plan.

In August 2023, we established the 2023 Inducement Equity Incentive Plan ("2023 Plan"), pursuant to which the Company issued 240,000 shares of stock option awards. During 2025 and 2024, the Board approved the issuance of 69,702 and 148,200 incentive stock options, respectively.

Stock Options

Options granted under the 2023 Plan have an exercise price equal to the closing market price of our common stock on the date prior to the grant date. These options become exercisable in 33.3% increments on the first three anniversaries of their date of grant and expire on the tenth anniversary of their date of grant. Options to purchase 166,602 and 388,200 shares granted under 2023 Plan awards were outstanding as of December 31, 2025 and 2024, respectively, with exercise prices ranging from \$4.55 to \$7.74 and \$5.59 to \$76.80 per share, respectively.

Options granted under the 2020 Plan, 2013 Plan or as inducement awards have an exercise price equal to the market value of the common stock on the grant date. These options become exercisable in 25% increments on the first four anniversaries of their date of grant and expire on the 10th anniversary of their date of grant. There were no options outstanding under the 2020 plan as of December 31, 2025 and 2024.

There were no options outstanding under the 2013 plan as of December 31, 2025. Options to purchase 1,726 shares granted under 2013 Plan awards were outstanding as of December 31, 2024, with exercise prices ranging from \$5.59 to \$116.40 per share.

Options granted to officers after April 2015 vest in full upon a change in control if such options are not assumed or replaced by a publicly traded successor with an equivalent award (as defined in such officers' change in control severance agreements).

The following summarizes all stock option activity during the years ended December 31, 2025 and 2024:

	Number of Shares	Weighted-Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In thousands)
Options outstanding at December 31, 2023	246,663	\$ 7.61	9.67	\$ 288
Granted	148,200	7.59	\$ —	—
Exercised	—	—	—	—
Unvested options forfeited	—	—	—	—
Vested options expired	(4,937)	81.35	—	—
Options outstanding at December 31, 2024	389,926	\$ 6.67	8.84	\$ —
Granted	69,702	\$ 4.96	—	—
Exercised	—	—	—	—
Unvested options forfeited	(211,300)	6.01	—	—
Vested options expired	(81,726)	7.10	—	—
Options outstanding at December 31, 2025	166,602	\$ 6.58	8.57	\$ —
Vested and expected to vest at December 31, 2025	166,602	\$ 6.58	8.57	\$ —
Exercisable at December 31, 2025	32,299	\$ 7.74	8.08	\$ —

There were 69,702 and 148,200 options granted during 2025 and 2024, respectively. The weighted average grant date fair value of 2025 options granted is \$3.24. The weighted average grant date fair value of 2024 options granted is \$5.08. As of December 31, 2025 and 2024, there were \$0.3 million and \$1.0 million of unrecognized compensation cost related to unvested stock options, respectively.

Restricted Stock Units

Restricted stock units granted as inducement awards or under the 2020 Plan and 2013 Plan vest in three equal increments on the first three anniversaries of their date of grant. Restricted stock units settle in treasury stock or newly issued shares and are treated as equity. Outstanding restricted stock units granted to officers as inducement awards or under the 2013 Plan vest in full (to the extent not previously vested) upon a change in control if such unvested shares are not assumed or replaced by a publicly traded successor with an equivalent award (as such terms are defined in such officers' change-in-control severance agreements).

The following summarizes all restricted stock units' activity during 2025 and 2024:

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested shares outstanding at December 31, 2023	243,441	\$ 7.24
Granted in 2024	98,192	\$ 7.61
Vested in 2024	(187,778)	6.76
Forfeited in 2024	(32,662)	7.49
Unvested shares outstanding at December 31, 2024	121,193	\$ 8.21
Granted in 2025	281,444	\$ 4.03
Vested in 2025	(83,691)	8.43
Forfeited in 2025	(45,834)	6.00
Unvested shares outstanding at December 31, 2025	273,112	\$ 4.21

The fair value of each restricted stock unit is estimated on the date of grant as the closing market price of our common stock on the date prior to the grant. As of December 31, 2025, there was \$0.9 million of total unrecognized compensation cost related to restricted stock units. This cost is expected to be recognized over a weighted average period of approximately 1.79 years.

Performance Stock Units

Performance stock units are a form of share-based award similar to unvested shares, except that the number of shares ultimately issued is based on our performance against specific performance goals over either a two-year or three-year period. At the end of the performance period, the number of shares of stock issued will be determined in accordance with the specified performance target(s) in a range between 0% and 100%. Performance stock units vest solely in common stock and are treated as equity. Upon a change in control, performance stock units granted to officers vest on a pro-rated basis (based on time elapsed from the grant) to the extent not previously settled if they are not assumed or replaced by a publicly traded successor with an equivalent award (as such terms are defined in such officers' change-in-control severance agreements). Performance Stock Units have been issued under the 2013 Plan, and the 2020 Plan as inducement awards.

The following summarizes all performance stock unit activity during 2025 and 2024 :

	Number of Units	Weighted- Average Grant Date Fair Value
Performance stock units outstanding as of December 31, 2023	43,000	\$ 7.80
Granted	50,000	\$ 7.53
Settled	—	—
Forfeited	(6,000)	7.96
Performance stock units outstanding as of December 31, 2024	87,000	\$ 7.63
Granted	—	\$ —
Settled	—	—
Forfeited	(37,000)	7.61
Performance stock units outstanding as of December 31, 2025	50,000	\$ 7.65

The fair value of each performance stock unit is estimated on the date of grant as the closing market price of our common stock on the date prior to the grant, minus the present value of anticipated dividend payments. Periodic compensation expense is based on the current estimate of future performance against specific performance goals over a two-year or three-year period and is adjusted up or down based on those estimates. As of December 31, 2025, the total unrecognized compensation cost related to performance stock units was \$0.

Note H — Employee Benefit Plans

Prior to January 1, 1999, we provided a defined benefit pension plan for which most of our employees were eligible to participate (the “Qualified Pension Plan”). In conjunction with significant enhancements to our 401(k) plan, we elected to freeze benefits under the Qualified Pension Plan as of December 31, 1998.

In 1994, we adopted a non-qualified, unfunded, supplemental pension plan (the “Restoration Pension Plan”) covering certain employees, which provides for incremental pension payments so that total pension payments equal those amounts that would have been payable from the principal pension plan were it not for limitations imposed by income tax regulation. The benefits under the Restoration Pension Plan were intended to provide benefits equivalent to our Qualified Pension Plan as if such plan had not been frozen. We elected to freeze benefits under the Restoration Pension Plan as of April 1, 2014.

At the end of 2020, the Board of Directors of the Company approved the division of the Qualified Pension Plan into two distinct plans, “Qualified Pension Plan I” and “Qualified Pension Plan II.” The assets and liabilities of the Qualified Pension Plan that were attributable to certain participants in Qualified Pension Plan II were spun off and transferred into Qualified Pension Plan II effective as of the end of December 31, 2021, in accordance with Internal Revenue Code section 414 (I) and ERISA Section 4044.

In January 2023, the Board of Directors of the Company approved the termination of the Qualified Pension Plan I. The termination process took approximately eighteen months and was completed in June 2024, which resulted in the transfer of our obligations pursuant to this pension plan to an insurance company. We made a cash contribution of \$6.7 million in the year ended December 31, 2024 to terminate the Qualified Pension Plan I. This contribution, together with the liquidation of pension assets was used to purchase annuities from an insurance company, which settled the liabilities for Pension Plan I participants as well as to submit the final filings to the Pension Benefit Guaranty Corporation. We recognized \$37.5 million of pension termination charges which were reflected in our Consolidated Statements of Comprehensive (Loss) Income for the year ended December 31, 2024.

The Qualified Pension Plans II, together with the Restoration Pension Plan are collectively referred to as the “defined benefit pension plans”. The overfunded or underfunded status of our defined benefit pension plans is recorded as an asset or liability on our consolidated balance sheets. The funded status is measured as the difference between the fair value of plan assets and the projected benefit obligation. Periodic changes in the funded status are recognized through other comprehensive income in the Consolidated Statements of Comprehensive (Loss) Income. We currently measure the funded status of our defined benefit plans as of December 31, the date of our year-end Consolidated Balance Sheets.

The status of the defined benefit pension plans at year-end was as follows:

<i>In thousands</i>	Year Ended December 31,	
	2025	2024
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 54,537	\$ 141,427
Interest cost	2,957	5,032
Settlements	—	(77,891)
Benefits paid	(4,102)	(7,361)
Actuarial loss (gain)	1,963	(6,670)
Benefit obligation at end of year	\$ 55,355	\$ 54,537
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 30,119	\$ 103,696
Actual return on plan assets	2,820	1,790
Settlements	—	(77,891)
Contributions	3,546	9,885
Benefits paid	(4,102)	(7,361)
Fair value of plan assets at end of year	\$ 32,383	\$ 30,119
Funded status at end of year	\$ (22,972)	\$ (24,418)

The following amounts have been recognized in the Consolidated Balance Sheets as of December 31:

<i>In thousands</i>	2025	2024
Current pension liabilities within accrued expenses	\$ 1,871	\$ 1,870
Long term pension liabilities - Qualified plans	4,106	5,445
Long term pension liabilities - Nonqualified plan	16,995	17,103
Total pension liabilities	\$ 22,972	\$ 24,418

The following amounts have been recognized in accumulated other comprehensive losses, net of tax, as of December 31:

<i>In thousands</i>	2025	2024
Accumulated other comprehensive losses, net of tax	\$ 11,197	\$ 10,183

Based on current estimates, we will be required to make \$1.7 million in cash contributions to our Qualified Pension Plan II in 2026.

We are not required to make and do not intend to make any contributions to our Restoration Pension Plan in 2026 other than to the extent needed to cover benefit payments. We made benefit payments under this supplemental plan of \$1.9 million in 2025.

The following information is presented for pension plans with an accumulated benefit obligation in excess of plan assets:

<i>In thousands</i>	2025	2024
Projected benefit obligation	\$ 55,355	\$ 54,537
Accumulated benefit obligation	\$ 55,355	\$ 54,537
Fair value of plan assets	\$ 32,383	\$ 30,119

The Restoration Pension Plan had an accumulated benefit obligation of \$18.9 million and \$19.0 million as of December 31, 2025, and 2024, respectively.

The following table presents the components of net periodic benefit cost and other amounts recognized in other comprehensive income in the Consolidated Statements of Comprehensive (Loss) Income for Qualified Pension Plan II and Restoration Pension Plans:

<i>In thousands</i>	Year Ended December 31,	
	2025	2024
Net Periodic Benefit Cost		
Interest cost	\$ 2,957	\$ 5,032
Expected return on plan assets	(2,147)	(3,633)
Recognized actuarial loss	394	1,557
Net periodic benefit cost	1,204	2,956
Amounts Recognized in Other Comprehensive (Loss) income		
Adjustment to pension liabilities	1,014	(32,273)
Net cost recognized in net periodic benefit cost and other comprehensive income	\$ 2,218	\$ (29,317)

The components of net periodic benefit costs other than the service cost component are included in Other expenses, net in our Consolidated Statement of Comprehensive (Loss) Income. The estimated net loss for the defined benefit pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost in 2026 is \$0.4 million. The period over which the net loss from the Qualified Pension Plan is amortized into net periodic benefit cost was the average future lifetime of all participants (approximately 23.0 years for Qualified Pension Plan II). The Qualified Pension Plan II is frozen and almost all of the plan's participants are not active employees.

The weighted-average assumptions used for measurement of the defined pension plans were as follows:

Weighted-average assumptions used to determine net periodic benefit cost	Year Ended December 31,	
	2025	2024
Discount rate		
Qualified Plan I	n/a	5.64%
Qualified Plan II	5.63%	4.99%
Restoration Plan	5.54%	4.92%
Expected return on plan assets		
Qualified Plan I	n/a	4.85%
Qualified Plan II	7.15%	6.95%
Restoration Plan	n/a	n/a

Weighted-average assumptions used to determine benefit obligations	December 31,	
	2025	2024
Discount rate		
Qualified Plan I	n/a	n/a
Qualified Plan II	5.37%	5.63%
Restoration Plan	5.18%	5.64%

The discount rate assumptions are based on current yields of investment-grade corporate long-term bonds. The expected long-term return on plan assets is based on the expected future average annual return for each major asset class within the plan's portfolio (which is principally comprised of equity investments) over a long-term horizon. In determining the expected long-term rate of return on plan assets, we evaluated input from our investment consultants, actuaries, and investment management firms, including their review of asset class return expectations, as well as long-term historical asset class returns. Projected returns by such consultants and economists are based on broad equity and bond indices. Additionally, we considered our historical 15-year compounded returns, which were in excess of the forward-looking return expectations.

The funded pension plan assets as of December 31, 2025 and 2024, by asset category, were as follows:

<i>In thousands</i>	2025	%	2024	%
Equity securities	\$ 31,599	98%	\$ 23,658	79%
Debt securities	—	—%	5,252	17%
Other	784	2%	1,209	4%
Total plan assets	\$ 32,383	100%	\$ 30,119	100%

The fair values presented have been prepared using values and information available as of December 31, 2025 and 2024.

The following tables present the fair value measurements of the assets in our funded pension plan:

<i>In thousands</i>	As of December 31, 2025			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities	\$ 31,599	\$ 31,572	\$ —	\$ 27
Debt securities	—	—	—	—
Total investments, excluding investments valued at NAV	31,599	31,572	—	27
Investments valued at NAV ⁽¹⁾	784	—	—	—
Total plan assets	\$ 32,383	\$ 31,572	\$ —	\$ 27

As of December 31, 2024				
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>In thousands</i>	Total			
Equity securities	\$ 23,658	\$ 23,658	\$ —	\$ —
Debt securities	5,252	3,669	1,583	—
Total investments, excluding investments valued at NAV	28,910	27,327	1,583	—
Investments valued at NAV ⁽¹⁾	1,209	—	—	—
Total plan assets	\$ 30,119	\$ 27,327	\$ 1,583	\$ —

(1) Investment valued at net asset value (“NAV”) are comprised of cash, cash equivalents, and short-term investments used to provide liquidity for the payment of benefits and other purposes. The commingled funds are valued at NAV based on the market value of the underlying investments, which are primarily government issued securities.

The investment policy for the Qualified Pension Plan II focuses on the preservation and enhancement of the corpus of the plan’s assets through prudent asset allocation, quarterly monitoring and evaluation of investment results, and periodic meetings with investment managers.

The investment policy’s goals and objectives are to meet or exceed the representative indices over a full market cycle (3-5 years). The policy establishes the following investment mix, which is intended to subject the principal to an acceptable level of volatility while still meeting the desired return objectives:

Qualified Pension Plan II	Target	Acceptable Range	Benchmark Index
Equities	77%	62% - 87%	
U.S. Large Cap	28%	18% - 38%	Russell 1000 TR
U.S. Mid Cap	18%	13% - 23%	Russell Mid Cap Index TR
U.S. Small Cap	9%	4% - 14%	Russell 2000 TR
International Equity			
Developed	16%	11% - 21%	MSCI EAFE Net TR USD Index
Emerging Markets	6%	0% - 9%	MSCI Emerging Net Total Return
Fixed Income	21%	11% - 31%	
Investment Grade	21%	11% - 31%	BBG BARC US Aggregate Bond Index
Cash Equivalent	2%	0% - 40%	ICE BofA US 3-Month Treasury Bill Index TR

The funded pension plans provide for investment in various investment types. Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with investments, it is reasonably possible that changes in the value of investments will occur in the near term and may impact the funded status of these plans. To address the issue of risk, the investment policy places high priority on the preservation of the value of capital (in real terms) over a market cycle. Investments are made in companies with a minimum five-year operating history and sufficient trading volume to facilitate, under most market conditions, prompt sales without severe market effects. Investments are diversified across numerous market sectors and individual companies. Reasonable concentration in any one issue, issuer, industry, or geographic area is allowed if the potential reward is worth the risk.

Investment managers are evaluated by the performance of the representative indices over a full market cycle for each class of assets. The Pension Plan Committee reviews, on a quarterly basis, the investment portfolio of each manager, which includes rates of return, performance comparisons with the most appropriate indices, and comparisons of each manager's performance with a universe of other portfolio managers that employ the same investment style.

The expected future benefit payments for Qualified Pension Plan II and Restoration Pension Plan over the next ten years as of December 31, 2025, are as follows:

<i>In thousands</i>	
2026	\$ 4,306
2027	4,396
2028	4,479
2029	4,637
2030	4,735
2031 - 2035	22,679
Total	\$ 45,232

The Company also has two pension plans in its foreign jurisdictions, the associated pension liabilities are not material.

We also sponsored a 401(k)-retirement plan in which we match a portion of employees' voluntary before-tax contributions prior. Under this plan, both employee and matching contributions vest immediately. We incurred \$0.9 million and \$1.0 million in 401k match expenses in 2025 and 2024, respectively.

Note I — Income Taxes

The components of income tax provision (benefit) are as follows:

<i>In thousands</i>	Year Ended December 31,	
	2025	2024
Current		
Federal	\$ —	\$ —
State and local	288	428
Foreign	443	1,214
Total current	\$ 731	\$ 1,642
Deferred		
Federal	\$ (254)	\$ (7,729)
State and local	(703)	(1,446)
Foreign	29	(104)
Total deferred	\$ (928)	\$ (9,279)
Total income tax benefit	\$ (197)	\$ (7,637)

The U.S. and foreign components of loss before income taxes were as follows:

<i>In thousands</i>	Year Ended December 31,	
	2025	2024
United States	\$ (4,629)	\$ (43,860)
Foreign	3,621	5,926
Total loss before income taxes	\$ (1,008)	\$ (37,934)

The provision (benefit) for income taxes is based on the various rates set by federal, foreign and local authorities and is affected by permanent and temporary differences between financial accounting and tax reporting requirements. The principal reasons for the difference between the statutory rate and the annual effective rate for 2025 were the state taxes, change in valuation allowance, federal and foreign income tax credits and the shortfall expense related to vested restricted stock.

As further described in *Note B - Significant Accounting Policies*, the Company has elected to prospectively adopt the guidance in ASC 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures or ASU 2023-09. The following table is a reconciliation of the U.S. federal statutory rate of 21% to the Company's effective tax rate for the year ended December 31, 2025 in accordance with the guidance in ASU 2023-09.

<i>In thousands, except percentages</i>	Year Ended December 31,	
	2025	
Loss before income taxes	\$ (1,008)	
Provision for income taxes at U.S. federal statutory rate	(212)	21.0%
State and local income taxes, net of federal benefit ⁽¹⁾	(481)	47.6%
Foreign tax effects		
Belgium		
Statutory Tax Rate Difference	48	(4.7)%
Other	(20)	2.0%
France		
Statutory Tax Rate Difference	17	(1.7)%
Differences with statutory accounting policies	(124)	12.3%
Valuation Allowance	41	(4.1)%
Netherlands		
Statutory Tax Rate Difference	(4)	0.4%
Valuation Allowance	22	(2.1)%
Philippines		
Statutory Tax Rate Difference	(258)	25.5%
Other	1	(0.1)%
Other foreign Jurisdictions	(11)	1.1%
Effect of cross-border tax laws:		
Global Intangible Low-Taxed Income	569	(56.5)%
Section 78 Gross-up	95	(9.4)%
Tax Credits	(50)	5.0%
Changes in valuation allowances	14	(1.4)%
Non-taxable or non-deductible items:		
Equity compensation	132	(13.1)%
Meals and Entertainment	15	(1.5)%
Work Opportunity Tax Credit	11	(1.1)%
Other	3	(0.3)%
Other Reconciling Items	(5)	0.5%
Effective income tax rate	\$ (197)	19.6%

(a) TX made up the majority (greater than 50%) of the tax effect in this category.

The following table is a reconciliation of the U.S. federal statutory rate of 21% to the Company's effective rate for the years ended December 31, 2024 in accordance with the guidance prior to the adoption of ASU 2023-09:

<i>In thousands</i>	Year Ended December 31, 2024
Computed expected income tax benefit	\$ (7,966)
Net effect of state income taxes	(1,885)
Foreign subsidiary dividend inclusions	666
Foreign tax rate differential	42
Change in valuation allowance	991
Return to Provision	599
Change in Rate	(125)
Credits	(346)
Adjustments to State Attributes	565
Other Adjustments, net	(178)
Income tax benefit	<u>\$ (7,637)</u>

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and liabilities were as follows:

<i>In thousands</i>	December 31,	
	2025	2024
Deferred tax assets		
Accrued expenses not deductible until paid	\$ 58	\$ 173
Lease liability	5,713	6,201
Investment in foreign subsidiaries, outside basis difference	1,969	1,930
Interest Expense limitations	1,495	1,167
Other, net	1,625	1,979
Foreign net operating loss carryforwards	1,535	1,325
State net operating loss carryforwards	7,845	7,709
Federal net operating loss carryforwards	9,692	9,585
Foreign tax credit carryforwards	3,740	3,726
General Business Credit Carryovers	641	591
Total gross deferred tax assets	\$ 34,313	\$ 34,386
Less valuation allowances	(7,757)	(8,082)
Net deferred tax assets	<u>\$ 26,556</u>	<u>\$ 26,304</u>

Deferred tax liabilities

Property, plant and equipment	\$	(890)	\$	(1,143)
Deferred compensation and retirement plan		(3,706)		(3,394)
Right-of-use asset		(5,041)		(5,624)
Other, net		(879)		(966)
Total gross deferred tax liabilities	\$	(10,516)	\$	(11,127)
Net deferred tax assets	\$	16,040	\$	15,177

During the year ended December 31, 2025, the Company paid \$455 thousand in state income taxes, net of refunds, and \$1.3 million in foreign taxes.

The amount of cash income taxes paid by the Company were as follows:

<i>In thousands</i>	Year ended December 31, 2025	
State and Local		
Florida	\$	90
Texas		215
Other		150
Foreign		
United Kingdom		538
Philippines		412
Romania		82
Belgium		292
Income taxes, net of amounts refunded	\$	1,779

In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. After considering the weight of available evidence, both positive and negative, the Company concluded that it is more-likely-than-not that it will realize the majority of its U.S. deferred tax assets. Certain foreign tax credits as well as certain state net operating loss carryovers will continue to have a valuation allowance until there is substantial evidence that enough future taxable income exists at a more likely than not level in order to utilize those deferred tax assets. The valuation allowance for deferred tax assets was \$7.8 million and \$8.1 million as of December 31, 2025 and 2024, respectively. The change in the valuation allowance was \$0.3 million for the year ended December 31, 2025.

We or one of our subsidiaries file income tax returns in the U.S. federal, U.S. state, and foreign jurisdictions. For U.S. state, federal and foreign returns, we are no longer subject to tax examinations for years prior to 2020.

There is no balance of unrecognized tax benefits as of December 31, 2025 and 2024. Any adjustments to this liability as a result of the finalization of audits or potential settlements would not be material.

We have elected to classify any interest and penalties related to income taxes within income tax expense in our Consolidated Statements of Comprehensive (Loss) Income. There are no interest and penalties related to income taxes for the year ended December 31, 2025 and 2024.

For U.S. tax return purposes, net operating losses and tax credits are normally available to be carried forward to future years, subject to limitations as discussed below.

As of December 31, 2025, the Company has federal NOL carryforwards of \$46.2 million. The entire amount was generated in 2024 and will be carried over indefinitely, but will generally limit the net operating deduction to the lesser of the net operating loss carryforward or 80% of a corporation's taxable income (subject to Section 382 of the Internal Revenue Code of 1986, as amended).

The Company also has state NOL carryforward of \$158.1 million and foreign NOL carryforwards of \$5.0 million. The state NOL carryforwards will begin to expire in 2029. The federal foreign tax carryforward credits of \$3.7 million will expire on various dates from 2027 to 2036. General business credit carryforwards of \$0.6 million will begin to expire on various dates from 2037 to 2046. Under Section 163(j) of the Internal Revenue Code, the deduction for business interest expense is limited to the sum of business interest income, 30% of adjusted taxable income, and floor plan financing interest. Any business interest expense that is disallowed due to the limitation can be carried forward indefinitely to future years. As of December 31, 2025 and 2024, the Company has disallowed business interest expense carryforwards of \$5.7 million and \$3.8 million, respectively.

Deferred income taxes have not been provided on the undistributed earnings of our foreign subsidiaries as these earnings have been, and under current plans will continue to be, permanently reinvested in these subsidiaries. It is not practicable to estimate the amount of additional taxes which may be payable upon the distribution of these earnings. However, because of the provisions in the Tax Reform Act, the tax cost of repatriation is immaterial and limited to foreign withholding taxes, currency translation and state taxes.

On July 4, 2025, the "One Big Beautiful Bill Act" (the "Act") became law. The legislation includes several changes to federal tax law that generally allow more favorable deductibility of certain business expenses beginning in 2025, including the reinstatement of 100% of bonus depreciation, and more favorable rules for determining the limitation on business interest expense. The Act also includes certain changes to the US taxation of foreign activity, including changes to foreign tax credits, global intangible low-taxed income, and base erosion and anti-abuse tax, amongst other changes. These changes are generally effective for tax years beginning after December 31, 2025, and therefore do not impact the current year's tax provision. While these changes are not yet effective, the Company has begun assessing the potential impact on its future effective tax rate, deferred tax assets and liabilities, and global tax planning strategies. Based on preliminary modeling, the Company anticipates that the elimination of the Net Deemed Tangible Income Return (NDTIR) may slightly increase future U.S. tax liability on foreign earnings, partially offset by the increased foreign tax credit. The Company will continue to monitor regulatory guidance and assess the impact of these changes in future reporting periods. No adjustments to current or deferred taxes have been recorded in the second half of 2025 related to the Act.

Note J — Earnings Per Share

Basic income (loss) per share ("EPS") is calculated using the income available to common stockholders, divided by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated using income available to common stockholders divided by the weighted average number of shares of common stock including both shares outstanding and shares potentially issuable in connection with restricted common stock awards and stock options under our stock incentive plans.

Reconciliations of basic and diluted EPS are as follows:

<i>In thousands, except per share amounts</i>	Year Ended December 31,	
	2025	2024
Numerator:		
Net loss	\$ (811)	\$ (30,297)
Denominator:		
Basic EPS denominator:	7,393	7,293
Diluted EPS denominator	7,393	7,293
Basic (loss) income per common share	\$ (0.11)	\$ (4.15)
Diluted (loss) income per common share	\$ (0.11)	\$ (4.15)

For the years ended December 31, 2025 and 2024, respectively, the following shares have been excluded from the calculation of shares used in the diluted EPS calculation: 207,406 and 349,129 shares of anti-dilutive market price options; 127,506 and 20,685 anti-dilutive unvested shares.

Note K — Comprehensive Income (Loss)

Comprehensive income (loss) for a period encompasses net income (loss) and all other changes in equity other than from transactions with our stockholders. Changes in accumulated other comprehensive loss by component were as follows:

<i>In thousands</i>	Defined Benefit Pension Items	Foreign Currency Items	Total
Balance at December 31, 2023	\$ (42,456)	\$ (1,634)	\$ (44,090)
Other comprehensive loss, net of tax, before reclassifications	—	(1,780)	(1,780)
Amounts reclassified from accumulated other comprehensive loss, net of tax	32,273	—	32,273
Net current period other comprehensive income (loss), net of tax	32,273	(1,780)	30,493
Balance at December 31, 2024	\$ (10,183)	\$ (3,414)	\$ (13,597)
Other comprehensive loss, net of tax, before reclassifications	—	(369)	(369)
Amounts reclassified from accumulated other comprehensive loss, net of tax	(1,014)	—	(1,014)
Net current period other comprehensive loss, net of tax	(1,014)	(369)	(1,383)
Balance at December 31, 2025	\$ (11,197)	\$ (3,783)	\$ (14,980)

Reclassification amounts related to the defined pension plans are included in the computation of net period pension benefit cost (see *Note H, Employee Benefit Plans*).

Note L — Litigation and Contingencies

In the normal course of our business, we are obligated under some agreements to indemnify our clients as a result of third-party claims that we infringe on the proprietary rights of third parties, or third party claims relating to other *ad hoc* contract obligations. The terms and duration of these commitments vary and, in some cases, may be indefinite, and some of these contractual commitments do not limit the maximum amount of future payments we could become obligated to make thereunder; accordingly, our actual aggregate maximum exposure related to these types of commitments is not reasonably estimable. Historically, we have not been obligated to make significant payments for obligations of this nature, and no liabilities have been recorded for these obligations in our consolidated financial statements.

We are also subject to various claims and legal proceedings in the ordinary course of conducting our business and, from time to time, we may become involved in additional claims and lawsuits incidental to our business. We routinely assess the likelihood of adverse judgments or outcomes to these matters, as well as ranges of probable losses; to the extent losses are reasonably estimable. Accruals are recorded for these matters to the extent that management concludes a loss is probable and the financial impact, should an adverse outcome occur, is reasonably estimable.

In the opinion of management, appropriate and adequate accruals for legal matters have been made, and management believes that the probability of a material loss beyond the amounts accrued is remote. Nevertheless, we cannot predict the impact of future developments affecting our pending or future claims and lawsuits. We expense legal costs as incurred, and all recorded legal liabilities are adjusted as required as better information becomes available to us. The factors we consider when recording an accrual for contingencies include, among others: (i) the opinions and views of our general counsel and outside legal counsel; (ii) our previous experience with similar claims; and (iii) the decision of our management as to how we intend to respond to the complaints.

Note M — Restructuring Activities

During the second half of 2023, we engaged a consulting firm to help review and analyze the structure and operations of the Company. The program named “Project Elevate” involved the optimization and rationalization of our business resources as well as the partial reinvestment of savings into the Company’s sales and marketing team, technology, and strategy. Reorganization cost reductions from Project Elevate during 2024 through 2025 are estimated to be \$16.0 million. We incurred total restructuring charges of \$9.9 million through the end of 2025. For the years ended December 31, 2025 and 2024, we recorded restructuring charges of \$1.8 million and \$2.4 million, respectively. This program has resulted in ongoing cost optimization and rationalization initiatives across the organization.

The following table summarizes the restructuring charges which are recorded in “Restructuring Expense” in the Consolidated Statement of Comprehensive Income.

<i>In thousands</i>	Year Ended December 31,		Year Ended December 31,	
	2025		2024	
Consulting and employee expense	\$	239	\$	803
Severance		1,255		1,112
Facility, asset impairment and other expense		288		487
Total	\$	1,782	\$	2,402

The following table summarizes the changes in liabilities related to restructuring activities:

<i>In thousands</i>	Year Ended December 31, 2025			
	Consulting and employee expense	Severance	Facility, asset impairment and other expense	Total
Beginning balance:	\$ —	\$ 110	\$ —	\$ 110
Additions	239	1,255	288	1,782
Payments and adjustment	(239)	(1,037)	(288)	(1,564)
Ending balance:	\$ —	\$ 328	\$ —	\$ 328

Note N — Related Party Transactions

In the year ended December 31, 2025, the Company recorded \$0.8 million related to net recovery short-swing profit from one of the Company's shareholders under Section 16(b) of the Securities Exchange Act of 1934, as amended. The Company recognized the \$1.1 million of gross related party proceeds, net of \$0.3 million of tax impact, as an increase to additional paid-in capital and as cash provided by financing activities in the condensed consolidated statement of cash flows for the year ended December 31, 2025.

Note O — Segment Reporting

Harte Hanks is a leading global customer experience company. Based on the types of products and services we provide, we have organized our operations into three business segments: Revenue Solutions formerly known as Marketing Services, Customer Care, and Fulfillment and Logistics.

There are three principal financial measures reported to our President (the chief operating decision maker) for use in assessing segment performance and allocating resources. Those measures are revenue, operating income and operating income plus depreciation and amortization ("EBITDA"), which is a non-GAAP measure. Operating income for segment reporting, disclosed below, is revenues less operating costs and allocated corporate expenses. Segment operating expenses are generally directly attributed to our segments and include allocations of certain centrally incurred costs such as employee benefits, occupancy, information systems, accounting services, internal legal staff, and human resources administration. These costs are allocated based on actual usage or other appropriate methods. Unallocated corporate expenses are corporate overhead expenses not attributable to the operating groups. Interest income and expense are not allocated to the segments. The Company does not allocate assets to our reportable segments for internal reporting purposes, nor does our President evaluate operating segments using discrete asset information. The accounting policies of the segments are consistent with those described in Note B, Significant Accounting Policies.

SEC Regulation S-K 229.10(e)1(ii)(A) defines EBITDA as earnings before interest, taxes, depreciation and amortization. EBITDA is presented to provide additional information to investors about the Company's operations on a basis consistent with the measures that the Company uses to manage its operations and evaluate its performance. Management also uses this measurement to evaluate working capital requirements. EBITDA should not be considered in isolation or as a substitute for operating income and net income prepared in accordance with GAAP or as a measure of the Company's profitability.

The following table presents financial information by segment year ended December 31, 2025:

<i>(In thousands)</i>	Revenue Solutions	Customer Care	Fulfillment & Logistics	Restructuring	Unallocated Corporate	Total
Operating revenue	\$ 35,128	\$ 50,067	\$ 74,375	\$ —	\$ —	\$ 159,570
Segment labor expense	18,058	32,567	19,445	—	10,753	80,823
Other segment operating expense	8,868	8,218	45,268	—	9,753	72,107
Restructuring expense	—	—	—	1,782	—	1,782
Contribution margin	\$ 8,202	\$ 9,282	\$ 9,662	\$ (1,782)	\$ (20,506)	\$ 4,858
Overhead Allocation	2,618	3,037	3,111	—	(8,766)	—
EBITDA (unaudited)	\$ 5,584	\$ 6,245	\$ 6,551	\$ (1,782)	\$ (11,740)	\$ 4,858
Depreciation and amortization expense	797	266	2,214	—	1,195	4,472
Operating income (loss)	\$ 4,787	\$ 5,979	\$ 4,337	\$ (1,782)	\$ (12,935)	\$ 386

The following table presents financial information by segment year ended December 31, 2024:

<i>(In thousands)</i>	Revenue Solutions	Customer Care	Fulfillment & Logistics	Restructuring	Unallocated Corporate	Total
Operating revenue	\$ 50,332	\$ 52,918	\$ 81,992	\$ —	\$ —	\$ 185,242
Segment labor expense	26,440	34,175	20,263	—	12,891	93,769
Other segment operating expense	11,468	6,260	52,770	—	8,927	79,425
Restructuring expense	—	—	—	2,402	—	2,402
Contribution margin	\$ 12,424	\$ 12,483	\$ 8,959	\$ (2,402)	\$ (21,818)	\$ 9,646
Overhead allocation	4,074	2,355	3,198	—	(9,627)	—
Goodwill and intangible assets impairment charges	3,168	—	—	—	—	3,168
EBITDA (unaudited)	\$ 5,182	\$ 10,128	\$ 5,761	\$ (2,402)	\$ (12,191)	\$ 6,478
Depreciation and amortization expense	1,459	207	1,256	—	1,463	4,385
Operating income (loss)	\$ 3,723	\$ 9,921	\$ 4,505	\$ (2,402)	\$ (13,654)	\$ 2,093

Cautionary Note Regarding Forward-Looking Statements

This report, including the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), contains "forward-looking statements" within the meaning of the federal securities laws. All such statements are qualified by this cautionary note, which is provided pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act. Forward-looking statements will also be included from time to time in our other public filings, press releases, our website, and oral and written presentations by management. Statements other than historical facts are forward-looking and may be identified by words such as "may," "will," "expects," "believes," "anticipates," "plans," "estimates," "seeks," "could," "intends," or words of similar meaning. Examples include statements regarding (1) our strategies and initiatives, including actions designed to respond to market conditions and improve our performance, (2) our financial outlook for revenues, earnings (loss) per share, operating income (loss), expense related to equity-based compensation, capital resources and other financial items, if any, (3) expectations for our businesses and for the industries in which we operate, including the impact of economic conditions of the markets we serve on the marketing expenditures and activities of our clients and prospects, (4) competitive factors, (5) acquisition and development plans, (6) expectations regarding legal proceedings and other contingent liabilities, (7) the outcome of our pending merger with Star Equity Holdings Inc., and (8) other statements regarding future events, conditions, or outcomes.

These forward-looking statements are based on current information, expectations, and estimates and involve risks, uncertainties, assumptions, and other factors that are difficult to predict and that could cause actual results to vary materially from what is expressed in or indicated by the forward-looking statements. In that event, our business, financial condition, results of operations, or liquidity could be materially adversely affected and investors in our securities could lose part or all of their investments. A discussion of some of these risks, uncertainties, assumptions, and other factors can be found in our filings with the SEC, including the factors discussed under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2025 (the "2025 10-K"), "Part II - Item 1A. Risk Factors" in this Quarterly Report, and in our other reports filed or furnished with the SEC. The forward-looking statements included in this report and those included in our other public filings, press releases, our website, and oral and written presentations by management are made only as of the respective dates thereof, and we undertake no obligation to update publicly any forward-looking statement in this report or in other documents, our website, or oral statements for any reason, even if new information becomes available or other events occur in the future, except as required by law.

Overview

The following MD&A section is intended to help the reader understand the results of operations and financial condition of Harte Hanks, Inc. including any material changes in the Company's financial condition and results of operations since December 31, 2025, and as compared with the three and six months ended June 30, 2026. This section is provided as a supplement to, and should be read in conjunction with, our Condensed Consolidated Financial Statements and the accompanying notes included herein as well as our 2025 10-K. Our 2025 10-K contains a discussion of other matters not included herein, such as disclosures regarding critical accounting policies and estimates, and contractual obligations. See Note A, *Overview and Significant Accounting Policies*, in the Notes to Condensed Consolidated Financial Statements for further information.

Harte Hanks, Inc. is a leading global customer experience company operating in three reportable segments: Revenue Solutions formerly referred to as Marketing Services, Customer Care, and Fulfillment & Logistics Services. Our mission is to partner with clients to provide them with robust customer-experience, or CX, strategy, data-driven analytics and actionable insights combined with seamless program execution to better understand, attract, and engage their customers. Our services include strategic planning, data strategy, performance analytics, creative development and execution; technology enablement; marketing automation; B2B and B2C e-commerce; cross-channel customer care; and product, print, and mail fulfillment.

We are affected by the general, national, and international economic and business conditions in the markets where we and our customers operate. Marketing budgets are largely discretionary in nature and, as a consequence, are easier for our clients to reduce in the short-term than other expenses. Our revenues are also affected by the economic fundamentals of each industry that we serve, the expansion of alternative channels, various market factors, including the demand for services by our clients, the financial condition of and budgets available to our clients, and regulatory factors, among other factors. Due to the recent increases in inflation and interest rates throughout the globe, as well as the ongoing armed conflicts in multiple regions, there is continued uncertainty and volatility in the global economy. We remain committed to executing our multichannel strategy while also continuing to adjust our cost structure to appropriately reflect our operations and outlook.

Management closely monitors inflation and wage pressure in the market, and the potential impact on our business. While inflation has not had a material impact on our business, it is possible a material increase in inflation could have an impact on our clients, and in turn, on our business.

Recent Development

On August 14th, 2026, the company entered into a merger agreement with Star Equity under which, subject to the conditions set forth in the merger agreement, Star Equity agreed to purchase all of the outstanding shares of Harte Hanks in a stock and cash transaction. The transaction is expected to close in the fourth quarter of 2026. See footnote O for further information about the pending acquisition.

Results of Operations

Operating results were as follows:

<i>In thousands, except per share amounts</i>	Three months ended June 30,			Six months ended June 30,		
	2026	% Change	2025	2026	% Change	2025
Revenue	\$ 37,984	-1.7%	\$ 38,631	\$ 75,248	-6.2%	\$ 80,192
Operating expenses	42,474	10.0%	38,597	80,506	0.4%	80,198
Operating (loss) income	\$ (4,490)		\$ 34	\$ (5,258)		\$ (6)
Operating margin	(11.8%)		0.1%	(7.0%)		—%
Other expenses, net	393		447	623		1,014
Income tax provision (benefit)	120		(78)	(250)		(293)
Net loss	\$ (5,003)		\$ (335)	\$ (5,631)		\$ (727)
Basic and diluted EPS	\$ (0.67)		\$ (0.05)	\$ (0.76)		\$ (0.10)

Consolidated Results

Three months ended June 30, 2026 vs. Three months ended June 30, 2025

Revenues

Revenue decreased \$0.6 million, or 1.7%, to \$38.0 million in the three months ended June 30, 2026, compared to the three months ended June 30, 2025. Revenue in our Revenue Solutions segment decreased \$1.1 million, or 13.2%, to \$7.5 million in the three months ended June 30, 2026, compared to the three months ended June 30, 2025, and Revenue in our Fulfillment & Logistics Services segment decreased \$0.5 million, or 2.8%, to \$17.6 million in the three months ended June 30, 2026, compared to the three months ended June 30, 2025. Revenue in our Customer Care segment increased \$1.0 million, or 8.5%, to \$12.9 million in the three months ended June 30, 2026, compared to the three months ended June 30, 2025.

Operating Expenses

Operating expenses were \$42.5 million in the three months ended June 30, 2026, an increase of \$3.9 million, or 10.0%, compared to \$38.6 million in the three months ended June 30, 2025.

Labor expenses increased \$0.5 million, or 2.3%, to \$19.9 million in the three months ended June 30, 2026, due to higher health benefit cost as compared to the three months ended June 30, 2025. The increase was partially offset by reduction in salary and wages as operations were optimized to account for lower revenue.

Production and Distribution expenses increased \$0.1 million, or 0.7%, in the three months ended June 30, 2026, compared to the three months ended June 30, 2025, primarily due to higher broker shipping costs from higher broker revenue.

Advertising, Selling, General and Administrative expenses increased \$3.2 million, or 58.6%, in the three months ended June 30, 2026, compared to the three months ended June 30, 2025, primarily due to higher professional service and legal expenses. See footnote O for further information about the pending acquisition.

Restructuring expense was \$0.2 million in the three months ended June 30, 2026, as compared to \$0.1 million in three months ended June 30, 2025 due to higher severance expense.

The largest components of our operating expenses are labor, transportation expenses and outsourced costs. Each of these costs is, at least in part, variable and tends to fluctuate in line with revenues and the demand for our services. Transportation rates have increased over the last few years due to demand and supply fluctuations within the transportation industry. Future changes in transportation expenses will continue to impact our total production costs and total operating expenses, and in turn our margins. Postage costs for mailings are borne by our clients and are not directly reflected in our revenues or expenses.

Other expenses, net

Other expenses, net, for the three months ended June 30, 2026 were \$0.4 million which was consistent with the three months ended June 30, 2025.

Income Taxes

The income tax expense of \$0.1 million for the three months ended June 30, 2026 represents an increase of income tax expense of \$0.2 million when compared to the three months ended June 30, 2025. Our effective tax rate was a negative 2.5% for the three months ended June 30, 2026, a decrease of 21.3% from the effective tax rate of a positive 18.9% for the three months ended June 30, 2025. The effective income tax rates differ from the federal statutory rate of 21%, primarily due to the U.S. state income taxes and the impact of income earned in foreign jurisdictions.

Six months ended June 30, 2026 vs. Six months ended June 30, 2025

Revenues

Revenue decreased \$4.9 million, or 6.2%, to \$75.2 million, in the six months ended June 30, 2026, compared to the six months ended June 30, 2025 due to decreased revenue in the Fulfillment & Logistics Services and Revenue Solutions segments, which was partially offset by the increase in Customer Care segment. The reduction in revenues in the six month period relates to the conclusion of programs, and the ordinary turnover of customers at a higher rate than initiation of new programs and revenues from new customers.

Operating Expenses

Operating expenses were \$80.5 million in the six months ended June 30, 2026, a decrease of \$0.3 million, or 0.4%, compared to \$80.2 million in the six months ended June 30, 2025.

Labor expense increased \$0.5 million, or 1.2%, to \$39.7 million in the six months ended June 30, 2026, primarily due to higher health benefit costs which was partially offset by reduction in salary and wages as operations were optimized to account for lower revenue.

Production and Distribution expenses decreased \$2.6 million, or 10.0%, in the six months ended June 30, 2026, primarily due to lower transportation costs associated with lower logistics services revenue as compared to the prior year.

Advertising, Selling, General and Administrative expenses increased \$3.0 million, or 26.7%, in the six months ended June 30, 2026, primarily due to higher professional service and legal expenses. See footnote O for further information about the pending acquisition.

Restructuring expense was \$0.3 million in the six months ended June 30, 2026, as compared to \$1.0 million in the six months ended June 20, 2025 due to lower severance expense.

The largest components of our operating expenses are labor, transportation expenses and outsourced costs. Each of these costs is, at least in part, variable and tends to fluctuate in line with revenues and the demand for our services. Transportation rates have increased over the last few years due to demand and supply fluctuations within the transportation industry. Future changes in transportation expenses will continue to impact our total production costs and total operating expenses, and in turn our margins. Postage costs for mailings are borne by our clients and are not directly reflected in our revenues or expenses.

Other expenses, net

Other expenses, net, for the six months ended June 30, 2026 were \$0.6 million compared to \$1.0 million, in the prior year period. The decrease was mainly associated with changes in foreign currency gain and loss account.

Income Taxes

The income tax benefit of \$0.3 million in the six months ended June 30, 2026 is comparable to the income tax benefit of \$0.3 million in the same period of 2025. Our effective tax rate was a positive 4.3% for the six months ended June 30, 2026, a decrease of 24.5% from the effective tax rate of a positive 28.7% for the same period of 2025. The effective tax rate differs from the federal statutory rate of 21.0%, primarily due to the U.S. state income taxes and income earned in foreign jurisdictions.

Segment Results

The following is a discussion and analysis of the results of our reportable segments for the three and six months ended June 30, 2026 and 2025. There are three principal financial measures reported to our President (the chief operating decision maker) for use in assessing segment performance and allocating resources. Those measures are revenue and operating income and operating income plus depreciation and amortization (“EBITDA”). For additional information, see Note N, *Segment Reporting*, in the Notes to Condensed Consolidated Financial Statements.

Revenue Solutions:

<i>In thousands</i>	Three months ended June 30,			Six months ended June 30,		
	2026	% Change	2025	2026	% Change	2025
Revenue	\$ 7,521	(13.2)%	\$ 8,662	15,437	(11.5)%	\$ 17,443
EBITDA	999	(26.7)%	1,362	1,978	(18.7)%	2,434
Operating income	855	(25.3)%	1,144	1,674	(16.3)%	1,999

Three months ended June 30, 2026 vs. Three months ended June 30, 2025

Revenue Solutions segment revenue decreased \$1.1 million, or 13.2%, due to customer turnover and the decline of client spending in excess of new business. Operating income for the three months ended June 30, 2026 decreased \$0.3 million, or 25.3% from the prior year quarter due to the reduced revenue.

Six months ended June 30, 2026 vs. Six months ended June 30, 2025

Revenue Solutions segment revenue decreased \$2.0 million, or 11.5%, due to customer turnover and the additional client spending reductions. This segment is our most economically sensitive segment with regard to changes in our clients' marketing strategy. Operating income for the six months ended June 30, 2026 decreased \$0.3 million, or 16.3% from the prior year quarter primarily due to the reduced revenue.

Customer Care:

<i>In thousands</i>	Three months ended June 30,			Six months ended June 30,		
	2026	% Change	2025	2026	% Change	2025
Revenue	\$ 12,853	8.5%	\$ 11,845	\$ 25,710	3.5%	\$ 24,847
EBITDA	825	(48.6)%	1,605	1,714	(53.2)%	3,665
Operating income	639	(58.9)%	1,555	1,396	(60.8)%	3,564

Three months ended June 30, 2026 vs. Three months ended June 30, 2025

Customer Care segment revenue increased \$1.0 million, or 8.5%, primarily driven by the revenue from our new customers. Operating income was \$0.6 million for the three months ended June 30, 2026, compared to operating income of \$1.6 million for the three months ended June 30, 2025. The \$0.9 million decrease in operating income was due to higher labor expenses derived from increased headcount for new business as compared to the prior year quarter.

Six months ended June 30, 2026 vs. Six months ended June 30, 2025

Customer Care segment revenue increased \$0.9 million, or 3.5%, primarily driven by the revenue from our new customers. Operating income was \$1.4 million for the six months ended June 30, 2026, compared to operating income of \$3.6 million for the six months ended June 30, 2025. The decrease of \$2.2 million in operating income was due to higher labor expense derived from increased headcount for new business as compared to the prior year period.

Fulfillment & Logistics Services:

<i>In thousands</i>	Three months ended June 30,			Six months ended June 30,		
	2026	% Change	2025	2026	% Change	2025
Revenue	\$ 17,610	(2.8)%	\$ 18,124	\$ 34,101	(10.0)%	\$ 37,902
EBITDA	970	(32.1)%	1,429	2,171	(30.4)%	3,119
Operating income	450	(50.5)%	910	1,135	(45.9)%	2,099

Three months ended June 30, 2026 vs. Three months ended June 30, 2025

Fulfillment & Logistics Services segment revenue decreased \$0.5 million, or 2.8%, primarily due to the lower volume from the existing customers not being offset by growth in new programs and customers. Operating income decreased by \$0.5 million primarily due to lower revenue.

Six months ended June 30, 2026 vs. Six months ended June 30, 2025

Fulfillment & Logistics Services segment revenue decreased by \$3.8 million, or 10.0%, due to lost customers and the lower volume from existing customers. Operating income decreased by \$1.0 million, or 84.9% due to the lower revenue.

Liquidity and Capital Resources

Sources and Uses of Cash

Our cash and cash equivalent balances were \$5.2 million and \$5.6 million at June 30, 2026 and December 31, 2025, respectively. As of June 30, 2026, we had the ability to borrow \$21.3 million under our Credit Facility in addition to the existing letters of credit.

Our principal sources of liquidity are cash on hand, cash provided by operating activities, and borrowings available under our Credit Facility. Our cash is primarily used for general corporate purposes, working capital requirements, and capital expenditures. At this time, we believe that we will be able to continue to meet our liquidity requirements and fund our fixed obligations such as finance and operating leases and unfunded pension plan benefit payments and other needs for our operations in the short term and beyond. Although the Company believes that it will be able to meet its cash needs for the short and medium term, if unforeseen circumstances arise the Company may need to seek alternative sources of liquidity.

Operating Activities

Net cash used in operating activities for the six months ended June 30, 2026 was \$2.6 million, compared to net cash used in operating activities of \$5.7 million for the six months ended June 30, 2025. The \$3.0 million year-over-year increase in cash used in operating activities was primarily due to \$7.5 million change in other assets and current liabilities, which was partially offset by additional \$4.9 million net loss in the six months ended June 30, 2026 as compared to the six months ended June 30, 2025.

Investing Activities

Net cash used in investing activities was \$0.3 million for the six months ended June 30, 2026, which was comparable to the cash used in investing activities during the same period in 2025.

Financing Activities

Net cash provided by financing activities was \$2.9 million for the six months ended June 30, 2026, as compared to \$0.7 million of net cash provided by financing activities during the six months ended June 30, 2025. The \$2.2 million increase in cash provided by financing activities was primarily related to the \$3.0 million we borrowed under our Credit Facility during the six months ended June 30, 2026 as compared to \$0.8 million of cash we received for the recovery of short-swing profit from one shareholder in the six months ended June 30, 2025.

Foreign Holdings of Cash

Consolidated foreign holdings of cash as of June 30, 2026 and December 31, 2025 were \$1.7 million and \$2.2 million, respectively.

Debt

On December 21, 2021, the Company entered into a three-year, \$25.0 million asset-based revolving credit facility (the “Credit Facility”) with Texas Capital Bank (“TCB”). The Company’s obligations under the Credit Facility are guaranteed on a joint and several basis by the Company’s material subsidiaries (the “Guarantors”). The Credit Facility is secured by substantially all of the assets of the Company and the Guarantors pursuant to a Pledge and Security Agreement, dated as of December 21, 2021, among the Company, TCB and the other Guarantors party thereto (the “Security Agreement”). On June 24, 2025, the Company entered into a second amendment to the Credit Facility (the “Second Amendment”) with TCB which extended the maturity date for the Credit Facility by a period of three years to June 30, 2028. The Second Amendment also includes an accordion feature that allows the Company to seek up to a \$10.0 million increase in commitments under the credit line, subject to TCB approval.

The Credit Facility provides for loans up to the lesser of (a) \$25.0 million, and (b) the amount available under a “borrowing base” calculated primarily by reference to the Company’s cash and cash equivalents and accounts receivables. The Credit Facility allows the Company to use up to \$3.0 million of its borrowing capacity to issue letters of credit.

The loans under the Credit Facility accrue interest at a variable rate equal to the Secured Overnight Financing Rate (SOFR) plus a margin of 2.25% per annum. The latest rate was 5.99% as of June 30, 2026. The outstanding amounts advanced under the Credit Facility are due and payable in full on June 30, 2028.

The Company may repay and reborrow all or any portion of the loans advanced under the Credit Facility at any time, without premium or penalty. The Credit Facility is subject to mandatory prepayments (i) from the net proceeds of asset dispositions not otherwise permitted under the Credit Facility; (ii) if the unpaid principal balance under the Credit Facility plus the aggregate face amount of all outstanding letters of credit exceeds the borrowing base; (iii) in an amount equal to 50% of the net proceeds of issuances of capital stock (subject to customary exceptions); or (iv) in an amount equal to the net proceeds from any issuance of debt not otherwise permitted under the Credit Facility. .

The Credit Facility contains certain covenants restricting the Company’s and its subsidiaries’ ability to create, incur, assume or become liable for indebtedness; make certain investments; pay dividends or repurchase the Company’s stock; create, incur or assume liens; consummate mergers or acquisitions; liquidate, dissolve, suspend or cease operations; or modify accounting or tax reporting methods (other than as required by U.S. GAAP).

As of June 30, 2026 and December 31, 2025, we had \$3.0 million and no borrowings outstanding under the Credit Facility, respectively. At each of June 30, 2026 and December 31, 2025, we had letters of credit outstanding in the amount of \$0.7 million and \$0.7 million, respectively. No amounts were drawn against these letters of credit at June 30, 2026 and December 31, 2025. These letters of credit exist to support insurance programs relating to workers’ compensation and general liability as well as lease obligations. We had no other off-balance sheet financing activities at June 30, 2026 and December 31, 2025.

As of June 30, 2026, we had the ability to borrow \$21.3 million under our Credit Facility in addition to the existing letters of credit.

Dividends

We did not pay any dividends in the three and six months ended June 30, 2026 and 2025. Any future dividend declaration can be made only upon, and subject to, approval of our Board of Directors, and will depend on our results of operations, financial condition, cash requirements, future business prospects, contractual and indenture restrictions and other factors deemed relevant by our Board of Directors.

Share Repurchase

On May 2, 2023, the Board of Directors of Harte Hanks approved a share repurchase program to maximize shareholder value with authorization to repurchase \$6.5 million of the Company’s Common Stock. As of June 30, 2026, the share repurchase program authorization availability was \$4.1 million. We did not repurchase any of the Company’s Common Stock during the three and six months ended June 30, 2026 and 2025.

Outlook

We consider such factors as total cash and cash equivalents and restricted cash, current assets, current liabilities, total debt, revenues, operating income, cash flows from operations, investing activities, and financing activities when assessing our liquidity. Our management of cash is designed to optimize returns on cash balances and to ensure that it is readily available to meet our operating, investing, and financing requirements as they arise. We believe that there are no conditions or events, considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern for the twelve months following the issuance of the Condensed Consolidated Financial Statements.

Critical and Recent Accounting Policies

Critical accounting estimates are defined as those that, in our judgment, are most important to the portrayal of our Company’s financial condition and results of operations and which require complex or subjective judgments or estimates. Actual results could differ materially from those estimates under different assumptions and conditions. Refer to the 2025 10-K for a discussion of our critical accounting estimates.

Our Significant Accounting policies are described in Note A, *Overview and Significant Accounting Policies*, in the Notes to Condensed Consolidated Financial Statements.

See Recent Accounting Pronouncements under Note B of the Notes to Condensed Consolidated Financial Statements for a discussion of certain accounting standards that have been recently issued.

Harte Hanks, Inc. and Subsidiaries
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<i>In thousands, except shares and per share amounts</i>	June 30, 2026 <i>(unaudited)</i>	December 31, 2025
ASSETS		
Current assets		
Cash and cash equivalents and restricted cash	\$ 5,188	\$ 5,587
Accounts receivable (less allowance for doubtful accounts of \$169 and \$22 at June 30, 2026 and December 31, 2025, respectively)	27,431	27,841
Unbilled accounts receivable and contract assets	7,971	7,049
Prepaid expenses	1,537	2,363
Prepaid income taxes and income tax receivable	1,431	1,431
Other current assets	1,798	2,046
Total current assets	45,356	46,317
Property, plant and equipment, net	6,866	8,386
Operating and Financing lease right-of-use assets	18,597	19,854
Other assets		
Intangible assets, net	273	370
Goodwill	295	295
Deferred tax assets, net	15,982	16,040
Other long-term assets	690	564
Total other assets	17,240	17,269
Total assets	\$ 88,059	\$ 91,826
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 13,238	\$ 13,096
Accrued expenses	6,561	5,915
Accrued payroll and related expenses	3,165	2,749
Short-term debt	3,000	—
Deferred revenue and customer advances	2,552	813
Customer postage and program deposits	693	868
Other current liabilities	1,659	3,180
Current portion of lease liabilities	4,003	3,543
Total current liabilities	34,871	30,164
Pension liabilities - Qualified plans	3,390	4,106
Pension liabilities - Nonqualified plan	16,525	16,995
Long-term lease liabilities, net of current portion	17,035	18,861
Other long-term liabilities	888	1,174
Total liabilities	72,709	71,300
Stockholders' equity		
Common stock, \$1 par value, 25,000,000 shares authorized; 12,221,484 shares issued, 7,454,240 and 7,414,794 shares outstanding at June 30, 2026 and December 31, 2025, respectively	12,221	12,221
Additional paid-in capital	99,393	109,558
Retained earnings	808,181	813,812
Less treasury stock, 4,767,244 shares at cost at June 30, 2026 and 4,806,690 shares at cost at December 31, 2025	(889,526)	(900,085)
Accumulated other comprehensive loss	(14,919)	(14,980)
Total stockholders' equity	15,350	20,526
Total liabilities and stockholders' equity	\$ 88,059	\$ 91,826

See Accompanying Notes to Condensed Consolidated Financial Statements

Harte Hanks, Inc. and Subsidiaries Condensed Consolidated Statements of Comprehensive Loss (Unaudited)

<i>In thousands, except per share amounts</i>	Three months ended June 30,		Six months ended June 30,	
	2026	2025	2026	2025
Revenue	\$ 37,984	\$ 38,631	\$ 75,248	\$ 80,192
Operating expenses				
Labor	19,898	19,445	39,708	39,244
Production and distribution	12,482	12,400	23,821	26,457
Advertising, selling, general and administrative	8,785	5,538	14,426	11,382
Restructuring expenses	187	149	347	987
Depreciation and amortization expense	1,122	1,065	2,204	2,128
Total operating expenses	42,474	38,597	80,506	80,198
Operating (loss) income	(4,490)	34	(5,258)	(6)
Other expenses, net				
Interest expense, net	90	61	159	114
Other expenses, net	303	386	464	900
Total other expenses, net	393	447	623	1,014
Loss before income taxes	(4,883)	(413)	(5,881)	(1,020)
Income tax provision (benefit)	120	(78)	(250)	(293)
Net loss	(5,003)	(335)	(5,631)	(727)
Loss per common share				
Basic and diluted	\$ (0.67)	\$ (0.05)	\$ (0.76)	\$ (0.10)
Weighted average shares used to compute loss per share				
Basic and diluted	7,431	7,382	7,423	7,371
Comprehensive loss, net of tax:				
Net loss	\$ (5,003)	\$ (335)	\$ (5,631)	\$ (727)
Adjustment to pension liability, net	307	44	380	209
Foreign currency translation adjustment	(242)	73	(319)	109
Total other comprehensive income, net of tax	\$ 65	\$ 117	\$ 61	\$ 318
Comprehensive loss	<u>\$ (4,938)</u>	<u>\$ (218)</u>	<u>\$ (5,570)</u>	<u>\$ (409)</u>

See Accompanying Notes to Condensed Consolidated Financial Statements

Harte Hanks, Inc. and Subsidiaries Condensed Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

<i>In thousands</i>	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at December 31, 2025	\$ 12,221	\$ 109,558	\$ 813,812	\$ (900,085)	\$ (14,980)	\$ 20,526
Stock-based compensation	—	218	—	—	—	218
Vesting of RSUs	—	(1,560)	—	1,551	—	(9)
Net loss	—	—	(628)	—	—	(628)
Other comprehensive loss	—	—	—	—	(4)	(4)
Balance at March 31, 2026	\$ 12,221	\$ 108,216	\$ 813,184	\$ (898,534)	\$ (14,984)	\$ 20,103
Stock-based compensation	—	221	—	—	—	221
Vesting of RSUs	—	(9,044)	—	9,008	—	(36)
Net loss	—	—	(5,003)	—	—	(5,003)
Other comprehensive income	—	—	—	—	65	65
Balance at June 30, 2026	\$ 12,221	\$ 99,393	\$ 808,181	\$ (889,526)	\$ (14,919)	\$ 15,350

<i>In thousands</i>	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at December 31, 2024	\$ 12,221	\$ 124,194	\$ 814,623	\$ (915,752)	\$ (13,597)	\$ 21,689
Stock-based compensation	—	(49)	—	—	—	(49)
Vesting of RSUs	—	(2,353)	—	2,325	—	(28)
Net loss	—	—	(392)	—	—	(392)
Other comprehensive income	—	—	—	—	201	201
Balance at March 31, 2025	\$ 12,221	\$ 121,792	\$ 814,231	\$ (913,427)	\$ (13,396)	\$ 21,421
Stock-based compensation	—	220	—	—	—	220
Vesting of RSUs	—	(11,006)	—	10,985	—	(21)
Recovery of short swing	—	838	—	—	—	838
Net loss	—	—	(335)	—	—	(335)
Other comprehensive income	—	—	—	—	117	117
Balance at June 30, 2025	\$ 12,221	\$ 111,844	\$ 813,896	\$ (902,442)	\$ (13,279)	\$ 22,240

See Accompanying Notes to Condensed Consolidated Financial Statements

Harte Hanks, Inc. and Subsidiaries Condensed Consolidated Statements of Cash Flows (Unaudited)

<i>In thousands</i>	Six Months Ended June 30,	
	2026	2025
Cash Flows from Operating Activities		
Net loss	\$ (5,631)	\$ (727)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	2,204	2,128
Stock-based compensation	439	171
Net pension (payment) cost	(957)	(1,079)
Deferred income taxes	(58)	(51)
Changes in assets and liabilities:		
Accounts receivable and contract assets	(512)	(769)
Prepaid expenses, income tax receivable and other current assets	1,007	(536)
Accounts payable and accrued expenses	757	(3,623)
Deferred revenue and customer advances	1,739	222
Customer postage and program deposits	(175)	(184)
Other accrued expenses and liabilities	(1,460)	(1,220)
Net cash used in operating activities	(2,647)	(5,668)
Cash Flows from Investing Activities		
Purchases of property, plant and equipment	(306)	(328)
Net cash used in investing activities	(306)	(328)
Cash Flows from Financing Activities		
Borrowings	3,000	—
Payment of finance leases	(82)	(79)
Recovery of short-swing profit from stockholders	—	838
Treasury stock activities	(45)	(49)
Net cash provided by financing activities	2,873	710
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(319)	109
Net decrease in cash and cash equivalents and restricted cash	(399)	(5,177)
Cash and cash equivalents and restricted cash at beginning of period	5,587	9,934
Cash and cash equivalents and restricted cash at end of period	\$ 5,188 ⁽¹⁾	\$ 4,757
Supplemental disclosures		
Cash paid for interest	\$ 123	\$ 110
Cash received for interest	\$ (2)	\$ (28)
Cash paid for income taxes, net	\$ 1,050	\$ 1,186
Non-cash investing and financing activities		
Purchases of property, plant and equipment included in accounts payable	\$ 625	\$ 647
(1) This amount is comprised of the below balances:		
Cash and cash equivalents	\$ 5,185	4,680
Restricted cash	3	77
	\$ 5,188	\$ 4,757

See Accompanying Notes to Condensed Consolidated Financial Statements

Harte Hanks, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

Note A - Overview and Significant Accounting Policies

Background

Harte Hanks, Inc. together with its wholly-owned subsidiaries (“Harte Hanks,” “Company,” “we,” “our,” or “us”) is a leading global customer experience company. With offices in North America, Asia-Pacific and Europe, Harte Hanks works with some of the world’s most respected brands.

Segment Reporting

The Company operates three reportable segments: Revenue Solutions; Customer Care; and Fulfillment & Logistics Services. Our President is considered to be our chief operating decision maker (CODM). Our President reviews our operating results on an aggregate basis for purposes of allocating resources and evaluating financial performance by using the three financial measures: revenue, operating income and operating income plus depreciation and amortization (EBITDA).

Accounting Principles

Our unaudited interim condensed consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). In the opinion of management, the unaudited interim condensed consolidated financial statements reflect all adjustments of a normal recurring nature that are necessary for a fair presentation of the results for the interim periods presented. Interim results are not necessarily indicative of results for a full year. The information included in this Form 10-Q should be read in conjunction with information included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2025 (the “2025 10-K”).

Consolidation

The accompanying unaudited interim condensed consolidated financial statements include the accounts of Harte Hanks, Inc. and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. As used in this report, the terms “Harte Hanks,” “the Company,” “we,” “us,” or “our” may refer to Harte Hanks, Inc., one or more of its consolidated subsidiaries, or all of them taken as a whole, as the context may require.

Interim Financial Information

The condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information and with the instructions to Form 10-Q and Rule 8-01 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included.

Use of Estimates

Preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements and the accompanying notes. Actual results could differ materially from those estimates due to uncertainties. Such estimates include, but are not limited to, estimates related to revenue recognition; income taxes; goodwill and intangible assets impairment as well as pension accounting. On an ongoing basis, management reviews its estimates and assumptions based on currently available information. Changes in facts and circumstances could result in revised estimates and assumptions.

Operating Expense Presentation in Condensed Consolidated Statements of Comprehensive Loss

The “Labor” line in the Condensed Consolidated Statements of Comprehensive Loss includes all employee payroll and benefits costs, including stock-based compensation and temporary labor costs. The “Production and distribution” and “Advertising, selling, general and administrative” lines do not include any labor, depreciation, or amortization expense. Certain labor costs are included in restructuring expense, please see Note M - Restructuring Activities for details.

Revenue Recognition

We recognize revenue upon the transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to be entitled to receive in exchange for those products or services based on the relevant contract. We apply the following five-step revenue recognition model:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when (or as) we satisfy the performance obligation

Certain client programs provide for adjustments to billings based upon whether we achieve certain performance criteria. In these circumstances, revenue is recognized when the foregoing conditions are met. We record revenue net of any taxes collected from customers and subsequently remitted to governmental authorities. Any payments received in advance of the performance of services or delivery of the product are recorded as deferred revenue until such time as the services are performed or the product is delivered. Costs incurred for search engine marketing solutions payable to the engine host and postage costs of mailings are billed to our clients and are not directly reflected in our revenue.

Revenue from agency and digital services, direct mail, logistics, fulfillment and contact center is recognized when the work is performed. Fees for these services are determined by the terms set forth in each contract. These fees are typically a set fixed price or rate by transaction occurrence, service provided, time spent, or product delivered.

For arrangements requiring design and build of a database, revenue is not recognized until client acceptance occurs. Up-front fees billed during the setup phase for these arrangements are deferred and direct build costs are capitalized. Pricing for these types of arrangements is typically based on a fixed price determined in the contract. Revenue from other database marketing solutions is recognized ratably over the contractual service period. Pricing for these services is typically based on a fixed price per month or per contract.

Fair Value of Financial Instruments

Financial Accounting Standards Board (“FASB”) Accounting Standard Codification (“ASC”) 820, *Fair Value Measurements and Disclosures*, (“ASC 820”) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy that prioritizes the inputs used in valuation methodologies into three levels:

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.

Because of their maturities and/or variable interest rates, certain financial instruments have fair values approximating their carrying values. These instruments include cash and cash equivalents and restricted cash, accounts receivable, trade payables, and debt. The fair value of the assets in our funded pension plan is discussed in Note H, *Employee Benefit Plans*.

Leases

We determine if an arrangement is a lease at its inception. Operating and finance leases are included in the lease right-of-use (“ROU”) assets and in the current portion and long-term portion of lease liabilities on our condensed consolidated balance sheets. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date of each lease based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit interest rate, we use our incremental borrowing rate based on the information available at the commencement date of each lease to determine the present value of lease payments. The operating lease ROU assets also include any lease payments made and exclude lease incentives. Our lease terms may include options to extend or terminate the lease, which are included in the lease ROU assets 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 have lease agreements with lease and non-lease components, which are generally accounted for separately. For certain real estate leases, we account for the lease and non-lease components as a single lease component.

Note B - Recent Accounting Pronouncements

Recent Accounting Guidance Adopted

In July 2025, the Financial Accounting Standards Board (“FASB”) issued ASU 2025-05, which amends ASC 326-20 to provide a practical expedient (for all entities) relating to the estimation of expected credit losses for current accounts receivable and current contract assets that arise from transactions accounted for under ASC 606. ASU 2025-05 is effective for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods, with early adoption permitted. The Company adopted ASU 2025-05 effective January 1, 2026. The adoption did not have a material impact on the Company’s Consolidated condensed financial statements.

Recent Accounting Guidance Not Yet Adopted

In November 2024, the FASB issued ASU 2024-03, Disaggregation of Income Statement Expenses (Subtopic 220-40). The ASU requires entities to disclose the disaggregated information for specific expense categories, including purchases of inventory, employee compensation, depreciation, and amortization, within the relevant income statement captions. This ASU also requires disclosure of the total amount of selling expenses along with the definition of what constitutes selling expenses. The ASU is effective for annual periods beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. Adoption of this ASU can either be applied prospectively to consolidated financial statements issued for reporting periods after the effective date of this ASU or retrospectively to any or all prior periods presented in the consolidated financial statements. Early adoption is also permitted. This ASU will likely result in the required additional disclosures being included in our consolidated financial statements, once adopted. We are currently evaluating the provisions of this ASU.

In September 2025, the FASB issued ASU 2025-06 to target improvements to the Accounting for Internal-Use Software, which simplifies the capitalization guidance by removing all references to software development project stages and clarifies the criteria to begin capitalizing cost. The amendment is effective for annual and interim periods beginning after December 15, 2027, though early adoption is permitted. The Company is currently evaluating the impact of this amendment on its Consolidated Financial Statements.

In December 2025, the FASB issued ASU 2025-11 to improve the guidance in Topic 270, Interim Reporting, by improving the navigability of the required interim disclosures and clarifying when that guidance is applicable. The amendment is effective for interim periods with annual reporting periods beginning after December 15, 2027, though early adoption is permitted. The Company is currently evaluating the impact of this amendment on its Condensed Consolidated Financial Statements.

No other new accounting pronouncements recently adopted or issued had or are expected to have a material impact on the condensed consolidated financial statements.

Note C - Revenue from Contracts with Customers

Our contracts with customers state the terms of sale, including the description, quantity, and price of the product sold or service provided. Payment terms can vary by contract, but the period between invoicing and when payment is due is not significant. The Company's contracts with its customers generally do not include rights of return or a significant financing component.

Disaggregation of Revenue

We disaggregate revenue by three key revenue streams which are aligned with our reportable segments. The nature of the services offered by each key revenue stream is different. The following table summarizes revenue from contracts with customers for the three and six months ended June 30, 2026 and 2025 by our three reportable segments:

<i>In thousands</i>	Three months ended June 30,		Six months ended June 30,	
	2026	2025	2026	2025
Revenue Solutions	\$ 7,521	\$ 8,662	\$ 15,437	\$ 17,443
Customer Care	12,853	11,845	25,710	24,847
Fulfillment & Logistics Services	17,610	18,124	34,101	37,902
Total Revenues	<u>\$ 37,984</u>	<u>\$ 38,631</u>	<u>\$ 75,248</u>	<u>\$ 80,192</u>

During the three and six months ended June 30, 2026, the Company recognized revenue of \$0.8 million and \$1.0 million, respectively, and during the three and six months ended June 30, 2025, the Company recognized revenue of \$1.6 million and \$1.7 million, respectively, from performance obligations satisfied at a point in time. The remaining revenue recognized in both 2026 and 2025 was recognized in an over time pattern. Our contracts with customers may consist of multiple performance obligations. If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price ("SSP") basis unless the transaction price is variable and meets the criteria to be allocated entirely to a performance obligation or to a distinct good or service that forms part of a single performance obligation. For most performance obligations, we determine SSP based on the price at which the performance obligation is sold separately. Although uncommon, if the SSP is not observable through past transactions, we estimate the SSP taking into account available information such as market conditions and internally approved pricing guidelines related to the performance obligations. Further discussion of other performance obligations in each of our major revenue streams follows:

Revenue Solutions

Our Revenue Solutions segment delivers strategic planning, data strategy, performance analytics, creative development and execution, technology enablement, marketing automation, and database management. The customer can choose other services to supplement and support their own in-house sales team. These services may range from leveraging data for lead generation, and outsourcing the design and testing of sales play, to full hiring and managing of a dedicated internal sales team.

Most revenue solutions performance obligations are satisfied over time and often offered on a per project basis. We have concluded that the best approach to measure the progress toward completion of the project-based performance obligations is the input method, which is based on either the costs or labor hours incurred to date depending upon whether costs or labor hours more accurately depict the transfer of value to the customer.

Our database solutions are built around centralized marketing databases with services rendered to build custom database, database hosting services, customer or target marketing lists and data processing services.

These performance obligations, including services rendered to build a custom database, database hosting services, customer or target marketing lists and data processing services, may be satisfied over time or at a point in time. We provide software as a service (“SaaS”) solutions to host data for customers and have concluded that these solutions are stand-ready obligations to be recognized over time on a monthly basis. Our promise to provide certain data related services meets the over-time recognition criteria because our services do not create an asset with an alternative use, and we have an enforceable right to payment. For performance obligations recognized over time, we choose either the input (i.e., labor hour) or output method (i.e., number of customer records) to measure the progress toward completion depending on the nature of the services provided. Some of our other data-related services do not meet the over-time criteria and are therefore, recognized at a point-in-time, typically upon the delivery of a specific deliverable.

Our contracts may include outsourced print production work for our clients. These contracts may include a promise to purchase postage on behalf of our clients. In such cases, we have determined we are an agent, rather than principal and therefore recognize net consideration as revenue.

Customer Care

We deliver customer care services in the United States, Asia, and Europe to provide advanced solutions such as voice, SMS/chat, email, integrated voice response, web self-service, social cloud monitoring, and analytics.

Performance obligations are stand-ready obligations and are satisfied over time. With regard to account management and SaaS, we use a time-elapsed output method to recognize revenue. For performance obligations where we charge customers a transaction-based fee, we use the output method based on transaction quantities. In most cases, our contracts provide us the right to invoice for services provided, therefore, we generally use the “as invoiced” practical expedient to recognize revenue associated with these performance obligations unless significant discounts are offered in a contract and prices for services do not represent their SSPs.

Fulfillment & Logistics Services

Our services, delivered internally and with our partners, include: printing, lettershop, advanced mail optimization (including commingling services), logistics and transportation optimization, monitoring and tracking, to support traditional and specialized mailings. Our print and fulfillment centers in Massachusetts and Kansas provide custom kitting services, print on demand, product recalls, trade marketing fulfillment, ecommerce product fulfillment, sampling programs, and freight optimization, thereby allowing our customers to distribute literature and other marketing materials.

Performance obligations offered within this revenue stream may be satisfied either over time or at a point time. Over time performance obligations utilize either the input or output method, depending on the nature of the service, to measure progress toward satisfying the performance obligation. For performance obligations where we charge customers a transaction-based fee, we utilize the output method based on the quantities fulfilled. Services provided through our fulfillment centers are typically priced at a per transaction basis and our contracts provide us the right to invoice for services provided and reflects the value to the customer of the services transferred to date. In most cases, we use the “as invoiced” practical expedient to recognize revenue associated with these performance obligations unless significant discounts are offered in a contract and prices for services do not represent their standalone selling prices. Our direct mail business contracts may have included a promise to purchase postage on behalf of our clients; in such cases, we have determined we are an agent, rather than principal and therefore recognize net consideration as revenue.

Transaction Price Allocated to Future Performance Obligations

We have elected to apply certain optional exemptions that limit the disclosure requirements over remaining performance obligations at period end to exclude the performance obligations that have an original expected duration of one year or less, transactions using the “as invoiced” practical expedient, or when a performance obligation is a series and we have allocated the variable consideration directly to the services performed. As of June 30, 2026, we had no transaction prices allocated to unsatisfied or partially satisfied performance obligations.

Contract Balances

We record an unbilled receivable when revenue is recognized prior to invoicing when we have an unconditional right to consideration (only the passage of time is required before payment of that consideration is due) and a contract asset when the right to payment is conditional upon our future performance such as delivery of an additional good or service (e.g. customer contract requires customer’s final acceptance of custom database solution or delivery of a final marketing strategy delivery presentation before customer payment is required). If invoicing occurs prior to revenue recognition, the unearned revenue is presented on our Condensed Consolidated Balance Sheet as a contract liability, referred to as deferred revenue.

The following table summarizes our contract balances as of June 30, 2026 and December 31, 2025:

<i>In thousands</i>	June 30, 2026	December 31, 2025
Unbilled accounts receivable	7,823	6,728
Contract assets	148	321
Deferred revenue and customer advances	2,552	813

Revenue recognized during the six months ended June 30, 2026 from amounts included in deferred revenue at the beginning of the period was approximately \$0.8 million. Revenue recognized during the six months ended June 30, 2025 from amounts included in deferred revenue at the beginning of the period was approximately \$1.0 million.

Costs to Obtain and Fulfill a Contract

We recognize an asset for the direct costs incurred to obtain and fulfill our contracts with customers to the extent that we expect to recover these costs and if the benefit is longer than one year. These costs are amortized to expense over the expected period of the benefit in a manner that is consistent with the transfer of the related goods or services to which the asset relates. We impair the asset when recoverability is not anticipated. We capitalized a portion of commission expense, implementation and other costs that represent the cost to obtain a contract. The remaining unamortized contract costs were \$0.3 million and \$0.3 million as of June 30, 2026 and December 31, 2025, respectively. They are included in other current assets and other assets on our balance sheet. For the periods presented, no impairment was recognized.

Note D - Leases

We have operating and finance leases for corporate and business offices, service facilities, call centers and certain equipment. Leases with an initial term of 12 months or less are generally not recorded on the balance sheet, unless the arrangement includes an option to purchase the underlying asset, or an option to renew the arrangement, that we are reasonably certain to exercise (short-term lease). Our leases have remaining lease terms of one to seven years, some of which may include options to extend the leases for up to an additional five years.

As of June 30, 2026, assets recorded under finance and operating leases were approximately \$0.5 million and \$18.1 million, respectively, and accumulated amortization associated with finance leases was \$0.3 million. As of December 31, 2025, assets recorded under finance and operating leases were approximately \$0.6 million and \$19.2 million, respectively, and accumulated amortization associated with finance leases was \$0.3 million. Operating lease right of use assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The discount rate used to determine the commencement date present value of lease payment is the interest rate implicit in the lease, or when that is not readily determinable, we utilize our incremental borrowing rate, which is the rate incurred to borrow on a collateralized basis over a similar term at an amount equal to the lease payments in a similar economic environment. Certain adjustments to the right-of-use asset may be required for items such as initial direct costs paid or incentives received.

There was no impairment of leases during the three and six months ended June 30, 2026 and 2025.

The following table presents supplemental balance sheet information related to our financing and operating leases:

<i>In thousands</i>	As of June 30, 2026			As of December 31, 2025		
	Operating Leases	Finance Leases	Total	Operating Leases	Finance Leases	Total
Right-of-use Assets	\$ 18,078	\$ 519	\$ 18,597	\$ 19,247	\$ 607	\$ 19,854
Liabilities						
Current portion of lease liabilities	3,831	172	4,003	3,376	167	3,543
Long-term lease liabilities	16,646	389	17,035	18,400	461	18,861
Total Lease Liabilities	<u>\$ 20,477</u>	<u>\$ 561</u>	<u>\$ 21,038</u>	<u>\$ 21,776</u>	<u>\$ 628</u>	<u>\$ 22,404</u>

For the three and six months ended June 30, 2026 and 2025, the components of lease expense were as follows:

<i>In thousands</i>	Three months ended June 30,		Six months ended June 30,	
	2026	2025	2026	2025
Operating lease cost	\$ 1,167	\$ 1,259	\$ 2,340	\$ 2,524
Finance lease cost:				
Amortization of right-of-use assets	43	43	86	88
Interest on lease liabilities	11	14	23	29
Total Finance lease cost	54	57	109	117
Variable lease cost	321	369	651	776
Total lease cost, net	<u>\$ 1,542</u>	<u>\$ 1,685</u>	<u>\$ 3,100</u>	<u>\$ 3,417</u>

Other information related to leases was as follows:

<i>In thousands</i>	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Supplemental Cash Flows Information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 2,457	\$ 2,645
Operating cash flows from finance leases	21	27
Financing cash flows from finance leases	82	79
Weighted Average Remaining Lease term in years		
Operating leases	5.0	5.9
Finance leases	3.1	4.1
Weighted Average Discount Rate		
Operating leases	5.93%	5.76%
Finance leases	7.75%	7.77%

The maturities of the Company's finance and operating lease liabilities as of June 30, 2026 are as follows:

<i>In thousands</i>	Operating Leases	Finance Leases
Year Ending December 31,		
Remainder of 2026	\$ 2,411	\$ 103
2027	4,714	206
2028	4,537	206
2029	4,579	114
2030	4,485	—
2031 and beyond	3,116	—
Total future minimum lease payments	23,842	629
Less: imputed interest	3,365	68
Total lease liabilities	<u>\$ 20,477</u>	<u>\$ 561</u>

Note E - Share Repurchase Program

On May 2, 2023, the Board of Directors of Harte Hanks approved a share repurchase program to maximize shareholder value with authorization to repurchase \$6.5 million of the Company's Common Stock. As of December 31, 2025, the share repurchase program authorization availability was \$4.1 million. In the three and six months ended June 30, 2026 and 2025, we did not repurchase any shares of common stock.

Note F — Debt - Credit Facility

On December 21, 2021, the Company entered into a three-year, \$25.0 million asset-based revolving credit facility (the "Credit Facility") with Texas Capital Bank ("TCB"). The Company's obligations under the Credit Facility are guaranteed on a joint and several basis by the Company's material subsidiaries (the "Guarantors"). The Credit Facility is secured by substantially all of the assets of the Company and the Guarantors pursuant to a Pledge and Security Agreement, dated as of December 21, 2021, among the Company, TCB and the other Guarantors party thereto (the "Security Agreement"). On June 24, 2025, the Company entered into a second amendment to the Credit Facility (the "Second Amendment") with TCB which extended the maturity date for the Credit Facility by a period of three years to June 30, 2028. The Second Amendment also includes an accordion feature that allows the Company to seek up to a \$10.0 million increase in commitments under the credit line, subject to TCB approval.

The Credit Facility provides for loans up to the lesser of (a) \$25.0 million, and (b) the amount available under a "borrowing base" calculated primarily by reference to the Company's cash and cash equivalents and accounts receivable. The Credit Facility allows the Company to use up to \$3.0 million of its borrowing capacity to issue letters of credit.

The loans under the Credit Facility accrue interest at a variable rate equal to the Secured Overnight Financing Rate (SOFR) plus a margin of 2.25% per annum. The interest rate was 5.99% as of June 30, 2026. The outstanding amounts advanced under the Credit Facility are due and payable in full on June 30, 2028. As of June 30, 2026 and December 31, 2025, we had letters of credit outstanding in the amount of \$0.7 million. No amounts were drawn against these letters of credit at June 30, 2026. These letters of credit exist to support insurance programs relating to worker's compensation and general liability as well as lease obligations. Unused commitment balances accrue fees at a rate of 0.25%.

As of June 30, 2026 and December 31, 2025, we had \$3.0 million and no borrowings outstanding under the Credit Facility, respectively. We had the ability to borrow \$21.3 million and \$24.3 million on June 30, 2026 and December 31, 2025, respectively, under the Credit Facility.

Note G — Stock-Based Compensation

We maintain stock incentive plans for the benefit of certain officers, directors, and employees. Our stock incentive plans provide for the ability to issue stock options, cash stock appreciation rights, performance stock units, phantom stock units and cash performance stock units. Our cash stock appreciation rights, phantom stock units and cash performance stock units settle solely in cash and are treated as the current liability, which are adjusted each reporting period based on changes in our stock price.

Compensation expense for stock-based awards is based on the fair values of the awards on the date of grant and is recognized on a straight-line basis over the vesting period of the entire award in the "Labor" line of the Condensed Consolidated Statements of Comprehensive Loss. We recognized \$0.2 million and \$0.2 million of stock-based compensation expense during the three months ended June 30, 2026 and 2025, respectively. We recognized \$0.4 million and \$0.2 million of stock-based compensation expense during the six months ended June 30, 2026 and 2025, respectively.

Note H — Employee Benefit Plans

Prior to January 1, 1999, we provided a defined benefit pension plan for which most of our employees were eligible to participate (the “Qualified Pension Plan”). In conjunction with significant enhancements to our 401(k) plan, we elected to freeze benefits under the Qualified Pension Plan as of December 31, 1998.

In 1994, we adopted a non-qualified, unfunded, supplemental pension plan (the “Restoration Pension Plan”) covering certain employees, which provides for incremental pension payments so that total pension payments equal those amounts that would have been payable from the principal pension plan were it not for limitations imposed by income tax regulation. The benefits under the Restoration Pension Plan were intended to provide benefits equivalent to our Qualified Pension Plan as if such plan had not been frozen. We elected to freeze benefits under the Restoration Pension Plan as of April 1, 2014.

At the end of 2020, the Board of Directors of the Company approved the division of the Qualified Pension Plan into two distinct plans, “Qualified Pension Plan I” and “Qualified Pension Plan II.” The assets and liabilities of the Qualified Pension Plan that were attributable to certain participants in Qualified Pension Plan II were spun off and transferred into Qualified Pension Plan II effective as of the end of December 31, 2021, in accordance with Internal Revenue Code section 414(l) and ERISA Section 4044. In 2024, Qualified Pension Plan I was terminated with the transfer of our obligations under this pension plan to a third-party provider.

The overfunded or underfunded status of our defined benefit post-retirement plans is recorded as an asset or liability on our condensed consolidated balance sheets. The funded status is measured as the difference between the fair value of plan assets and the projected benefit obligation. Periodic changes in the funded status are recognized through other comprehensive income in the Condensed Consolidated Statements of Comprehensive Loss. We currently measure the funded status of our defined benefit plans as of December 31, the date of our year-end Consolidated Balance Sheets.

Net pension cost for both plans included the following components:

<i>In thousands</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Interest cost	\$ 681	\$ 776	\$ 1,420	\$ 1,478
Expected return on plan assets	(490)	(604)	(1,027)	(1,074)
Recognized actuarial loss	129	61	228	198
Net periodic benefit cost	\$ 320	\$ 233	\$ 621	\$ 602

Based on current estimates, we will be required to make a \$1.7 million contribution to the Qualified Pension Plan in 2026. We made \$0.6 million of such \$1.7 million aggregate contribution in the six months ended June 30, 2026.

We are not required to make, and do not intend to make, any contributions to our Restoration Pension Plan in 2026 other than to the extent needed to cover benefit payments. We made benefit payments under this supplemental plan of \$0.9 million in both the six months ended June 30, 2026 and 2025.

Note I - Income Taxes

The income tax expense was \$0.1 million and income tax benefit was \$0.1 million for the three months ended June 30, 2026 and 2025, respectively. The provision for income taxes resulted in a negative effective tax rate of 2.5% for the three months ended June 30, 2026 and a positive 18.9% for the three months ended June 30, 2025. The effective income tax rate for the three months ended June 30, 2026 and 2025 differs from the federal statutory rate of 21%, primarily due to the U.S. state income taxes and the impact of income earned in foreign jurisdictions.

The income tax benefit was \$0.3 million and \$0.3 million for the six months ended June 30, 2026 and 2025, respectively. The provision for income taxes resulted in a positive effective tax rate of 4.3% for the six months ended June 30, 2026 and a positive 28.7% for the six months ended June 30, 2025. The effective income tax rate for the six months ended June 30, 2026 and 2025 differs from the federal statutory rate of 21%, primarily due to the U.S. state income taxes and the impact of income earned in foreign jurisdictions.

Harte Hanks, or one of our subsidiaries file income tax returns in the U.S. federal, U.S. state, and foreign jurisdictions. For U.S. state, federal and foreign returns, we are no longer subject to tax examinations for years prior to 2020. The Company has reviewed all of its tax positions in order to determine whether all, a portion, or none of any related tax benefit should be recognized and has not identified or recorded any ASC 740-10 reserve.

We have elected to classify any interest expense and penalties related to income taxes within income tax expense in our Condensed Consolidated Statements of Comprehensive Loss. We did not have a significant amount of interest or penalties accrued at June 30, 2026 or December 31, 2025.

Note J - Loss Per Share

Basic income (loss) per share ("EPS") is calculated using income (loss) available to common stockholders, divided by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated using income available to common stockholders divided by the weighted average number of shares of common stock including both shares outstanding and shares potentially issuable in connection with restricted common stock awards and stock options under our stock incentive plans.

Reconciliations of basic and diluted EPS were as follows:

<i>In thousands, except per share amounts</i>	Three months ended June 30,		Six months ended June 30,	
	2026	2025	2026	2025
Numerator:				
Net loss	\$ (5,003)	\$ (335)	\$ (5,631)	\$ (727)
Denominator:				
Basic and diluted EPS denominator: weighted-average common shares outstanding	7,431	7,382	7,423	7,371
Basic and diluted loss per Common Share	\$ (0.67)	\$ (0.05)	\$ (0.76)	\$ (0.10)

For the three months ended June 30, 2026 and 2025, respectively, the following shares have been excluded from the calculation of shares used in the diluted EPS calculation: 166,602 and 186,734 shares of anti-dilutive market price options; 137,931 and 79,178 of anti-dilutive unvested restricted shares.

For the six months ended June 30, 2026 and 2025, respectively, the following shares have been excluded from the calculation of shares used in the diluted EPS calculation: 166,602 and 223,675 shares of anti-dilutive market price options; 148,445 and 33,496 of anti-dilutive unvested restricted shares.

Note K — Comprehensive Income (Loss)

Comprehensive income (loss) for a period encompasses net income (loss) and all other changes in equity other than from transactions with our stockholders.

Changes in accumulated other comprehensive loss by component were as follows:

<i>In thousands</i>	Defined Benefit Pension Items	Foreign Currency Items	Total
Balance at December 31, 2025	\$ (11,197)	\$ (3,783)	\$ (14,980)
Other comprehensive loss, net of tax, before reclassifications	—	(319)	(319)
Amounts reclassified from accumulated other comprehensive loss, net of tax, to other, net, on the condensed consolidated statements of comprehensive loss	380	—	380
Net current period other comprehensive income (loss), net of tax	380	(319)	61
Balance at June 30, 2026	\$ (10,817)	\$ (4,102)	\$ (14,919)

<i>In thousands</i>	Defined Benefit Pension Items	Foreign Currency Items	Total
Balance at December 31, 2024	\$ (10,183)	\$ (3,414)	\$ (13,597)
Other comprehensive income, net of tax, before reclassifications	—	109	109
Amounts reclassified from accumulated other comprehensive income, net of tax, to other, net, on the condensed consolidated statements of comprehensive loss	209	—	209
Net current period other comprehensive income, net of tax	209	109	318
Balance at June 30, 2025	\$ (9,974)	\$ (3,305)	\$ (13,279)

Reclassification amounts related to the defined pension plans are included in the computation of net periodic pension benefit cost (see Note H, *Employee Benefit Plans*).

Note L — Litigation and Contingencies

In the normal course of our business, we are obligated under some agreements to indemnify our clients as a result of third party claims that we infringe on the proprietary rights of third parties, or third party claims relating to other *ad hoc* contract obligations. The terms and duration of these commitments vary and, in some cases, may be indefinite, and some of these contractual commitments do not limit the maximum amount of future payments we could become obligated to make thereunder; accordingly, our actual aggregate maximum exposure related to these types of commitments is not reasonably estimable. Historically, we have not been obligated to make significant payments for obligations of this nature, and no liabilities have been recorded for these obligations in our consolidated financial statements.

We are also subject to various claims and legal proceedings in the ordinary course of conducting our businesses and, from time to time, we may become involved in additional claims and lawsuits incidental to our businesses. We routinely assess the likelihood of adverse judgments or outcomes to these matters, as well as ranges of probable losses; to the extent losses are reasonably estimable. Accruals are recorded for these matters to the extent that management concludes a loss is probable and the financial impact, should an adverse outcome occur, is reasonably estimable.

In the opinion of management, appropriate and adequate accruals for legal matters have been made, and management believes that the probability of a material loss beyond the amounts accrued is remote. Nevertheless, we cannot predict the impact of future developments affecting our pending or future claims and lawsuits. We expense legal costs as incurred, and all recorded legal liabilities are adjusted as required as better information becomes available to us. The factors we consider when recording an accrual for contingencies include, among others: (i) the opinions and views of our general counsel and outside legal counsel; (ii) our previous experience with similar claims; and (iii) the decision of our management as to how we intend to respond to the complaints.

Note M — Restructuring Activities

During the second half of 2023, we engaged a consulting firm to help review and analyze the structure and operations of the Company. The program named “Project Elevate” involved the optimization and rationalization of our business resources as well as the partial reinvestment of savings into the Company’s sales and marketing team, technology, and strategy. Reorganization cost reductions from Project Elevate during 2024 through 2026 are estimated to be \$16.0 million. We incurred total restructuring charges of \$10.2 million through June 30, 2026.

For the three months ended June 30, 2026 and 2025, we recorded restructuring charges of \$0.2 million and \$0.1 million, respectively. For six months ended June 30, 2026 and 2025, we recorded restructuring charges of \$0.3 million and \$1.0 million, respectively.

The following table summarizes the restructuring charges which are recorded in “Restructuring Expense” in the Condensed Consolidated Statement of Comprehensive Loss.

<i>In thousands</i>	Three months ended June 30,		Six months ended June 30,	
	2026	2025	2026	2025
Consulting and employee expense	\$ 45	\$ 45	\$ 113	\$ 93
Severance	142	99	234	790
Facility and other expenses	—	5	—	104
Total	<u>\$ 187</u>	<u>\$ 149</u>	<u>\$ 347</u>	<u>\$ 987</u>

The following table summarizes the changes in liabilities related to restructuring activities, these liabilities are included in the Accrued expenses line in our Condensed Consolidated Balance Sheet:

<i>In thousands</i>	Six months ended June 30, 2026		
	Consulting and Employee Expense	Severance	Total
Beginning balance:	\$ —	\$ 328	\$ 328
Additions	113	234	347
Payments and adjustment	(113)	(355)	(468)
Ending balance:	<u>\$ —</u>	<u>\$ 207</u>	<u>\$ 207</u>

Note N — Segment Reporting

Harte Hanks is a leading global customer experience company. Based on the types of products and services we provide, we have organized our operations into three reportable segments: Revenue Solutions, formerly known as Marketing Services, Customer Care, and Fulfillment and Logistics.

There are three principal financial measures reported to our President (the chief operating decision maker) for use in assessing segment performance and allocating resources. Those measures are revenue, operating income and operating income plus depreciation and amortization (“EBITDA”), which is a non-GAAP measure. Operating income for segment reporting, disclosed below, is revenues less operating costs and allocated corporate expenses. Segment operating expenses are generally directly attributed to our segments and include allocations of certain centrally incurred costs such as employee benefits, occupancy, information systems, accounting services, internal legal staff, and human resources administration. These costs are allocated based on actual usage or other appropriate methods. Unallocated corporate expenses are corporate overhead expenses not attributable to the operating groups. Interest income and expenses are not allocated to the segments. The Company does not allocate assets to our reportable segments for internal reporting purposes, nor does our President evaluate operating segments using discrete asset information. The accounting policies of the segments are consistent with those described in Note A, Overview and Significant Accounting Policies.

SEC Regulation S-K 229.10(e)1(ii)(A) defines EBITDA as earnings before interest, taxes, depreciation and amortization. EBITDA is presented to provide additional information to investors about the Company’s operations on a basis consistent with the measures that the Company uses to manage its operations and evaluate its performance. Management also uses this measurement to evaluate working capital requirements. EBITDA should not be considered in isolation or as a substitute for operating income and net income prepared in accordance with U.S. GAAP or as a measure of the Company’s profitability.

The following table presents financial information by segment for the three months ended June 30, 2026:

<i>In thousands</i>	Revenue Solutions	Customer Care	Fulfillment & Logistics Services	Restructuring Expense	Unallocated Corporate	Total
Revenue	\$ 7,521	\$ 12,853	\$ 17,610	\$ —	\$ —	\$ 37,984
Segment labor expense	4,127	9,321	3,965	—	2,485	19,898
Other segment operating expense	1,723	1,966	11,934	—	5,644	21,267
Restructuring expense	—	—	—	187	—	187
Contribution margin (loss)	\$ 1,671	\$ 1,566	\$ 1,711	\$ (187)	\$ (8,129)	\$ (3,368)
Overhead allocation	672	741	741	—	(2,154)	—
EBITDA	\$ 999	\$ 825	\$ 970	\$ (187)	\$ (5,975)	\$ (3,368)
Depreciation and amortization	144	186	520	—	272	1,122
Operating income (loss)	\$ 855	\$ 639	\$ 450	\$ (187)	\$ (6,247)	\$ (4,490)

The following table presents financial information by segment for the three months ended June 30, 2025:

<i>In thousands</i>	Revenue Solutions	Customer Care	Fulfillment & Logistics Services	Restructuring Expense	Unallocated Corporate	Total
Revenue	\$ 8,662	\$ 11,845	\$ 18,124	\$ —	\$ —	\$ 38,631
Segment labor expense	4,459	7,511	4,732	—	2,743	19,445
Other segment operating expense	2,189	1,992	11,224	—	2,533	17,938
Restructuring expense	—	—	—	149	—	149
Contribution margin (loss)	\$ 2,014	\$ 2,342	\$ 2,168	\$ (149)	\$ (5,276)	\$ 1,099
Overhead allocation	652	737	739	—	(2,128)	—
EBITDA	\$ 1,362	\$ 1,605	\$ 1,429	\$ (149)	\$ (3,148)	\$ 1,099
Depreciation and amortization	218	50	519	—	278	1,065
Operating income (loss)	\$ 1,144	\$ 1,555	\$ 910	\$ (149)	\$ (3,426)	\$ 34

The following table presents financial information by segment for the six months ended June 30, 2026:

<i>In thousands</i>	Revenue Solutions	Customer Care	Fulfillment & Logistics Services	Restructuring Expense	Unallocated Corporate	Total
Revenue	\$ 15,437	\$ 25,710	\$ 34,101	\$ —	\$ —	\$ 75,248
Segment labor expense	8,581	18,332	7,931	—	4,864	39,708
Other segment operating expense	3,531	4,152	22,458	—	8,106	38,247
Restructuring expense	—	—	—	347	—	347
Contribution margin (loss)	\$ 3,325	\$ 3,226	\$ 3,712	\$ (347)	\$ (12,970)	\$ (3,054)
Overhead allocation	1,347	1,512	1,541	—	(4,400)	—
EBITDA	\$ 1,978	\$ 1,714	\$ 2,171	\$ (347)	\$ (8,570)	\$ (3,054)
Depreciation and amortization	304	318	1,036	—	546	2,204
Operating income (loss)	\$ 1,674	\$ 1,396	\$ 1,135	\$ (347)	\$ (9,116)	\$ (5,258)

The following table presents financial information by segment for the six months ended June 30, 2025:

<i>In thousands</i>	Revenue Solutions	Customer Care	Fulfillment & Logistics Services	Restructuring Expense	Unallocated Corporate	Total
Revenue	\$ 17,443	\$ 24,847	\$ 37,902	\$ —	\$ —	\$ 80,192
Segment labor expense	8,946	15,527	9,294	—	5,477	39,244
Other segment operating expense	4,700	4,092	23,868	—	5,179	37,839
Restructuring expense	—	—	—	987	—	987
Contribution margin (loss)	\$ 3,797	\$ 5,228	\$ 4,740	\$ (987)	\$ (10,656)	\$ 2,122
Overhead allocation	1,363	1,563	1,621	—	(4,547)	—
EBITDA	\$ 2,434	\$ 3,665	\$ 3,119	\$ (987)	\$ (6,109)	\$ 2,122
Depreciation and amortization	435	101	1,020	—	572	2,128
Operating income (loss)	\$ 1,999	\$ 3,564	\$ 2,099	\$ (987)	\$ (6,681)	\$ (6)

Note O - Subsequent Event

On August 14th, 2026, the company entered into a merger agreement with Star Equity under which, subject to the conditions set forth in the merger agreement, Star Equity Holdings, Inc. (Nasdaq: STRR, STRRP) agreed to purchase all of the outstanding shares of Harte Hanks in a stock and cash transaction. Under the terms of the merger agreement, at the effective time of the acquisition, each share of Harte Hanks common stock will be converted into the right to receive either (i) cash in an amount equal to \$5.00 per share or (ii) the equivalent shares of preferred stock of Star Equity. Stockholders of Harte Hanks will have the right to elect whether to receive cash or preferred stock in the transaction, subject to a cap of 50% on the aggregate cash consideration.

The parties estimated the total consideration expected to be issued and paid to Harte Hanks stockholders in the acquisition to consist of approximately 1.92 million shares of Star Equity preferred stock and approximately \$19.2 million to be paid in cash. Star Equity intends to finance the acquisition through a combination of cash on hand, issuance of preferred stock and debt financing. Star Equity intends to finance the cash component of the acquisition partly by drawing up to \$15 million on the company's existing revolving credit facility, with the balance of the cash consideration being funded from Star Equity's cash on hand.

The merger agreement has been approved by both companies' Board of Directors. The closing of the transaction is subject to adoption of the merger agreement by our stockholders and certain other conditions specified in the merger agreement. The closing of the transaction is expected to occur in the fourth quarter of 2026.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 20. *Indemnification of Directors and Officers*

Subsection (a) of Section 145 of the General Corporation Law of the State of Delaware (referred to as the “**DGCL**”) empowers a corporation to indemnify any person who was or is a party or who is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person’s conduct was unlawful.

Subsection (b) of Section 145 empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person acted in any of the capacities set forth above, against expenses (including attorneys’ fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 145 further provides that to the extent a director or officer of a corporation has been successful on the merits or otherwise in the defense of any action, suit or proceeding referred to in subsections (a) and (b) of Section 145, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys’ fees) actually and reasonably incurred by such person in connection therewith; that indemnification provided for by Section 145 shall not be deemed exclusive of any other rights to which the indemnified party may be entitled; and the indemnification provided for by Section 145 shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of such person’s heirs, executors and administrators. Section 145 also empowers the corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify such person against such liabilities under Section 145.

Section 102(b)(7) of the DGCL provides that a corporation’s certificate of incorporation may contain a provision eliminating or limiting the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that such provision shall not eliminate or limit the liability of a director (i) for any breach of the director’s duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL or (iv) for any transaction from which the director derived an improper personal benefit.

Our amended and restated certificate of incorporation provides that we shall indemnify our directors and officers, and may indemnify our employees and other agents, to the maximum extent permitted by the DGCL.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers, and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment of expenses incurred or paid by a director, officer or controlling person in a successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to the court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Item 21. Exhibits and Financial Statement Schedules

(a) The following exhibits are filed herewith or incorporated herein by reference:

Exhibit No.	Description
2.1	Agreement and Plan of Merger by and among Star Equity Holdings, Inc., Merger Sub - R, Inc. and Harte Hanks, Inc., dated as of August 14, 2026 (Attached as Annex A to the proxy statement/prospectus forming a part of this Registration Statement).
3.1	Amended and Restated Certificate of Incorporation of Star Equity Holdings, Inc. (formerly Hudson Global, Inc.) (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K dated June 15, 2015 (File No. 0-50129)).
3.2	Certificate of Amendment of the Amended and Restated Certificate of Incorporation of Star Equity Holdings, Inc. (formerly Hudson Global, Inc.) (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 (File No. 001-38704)).
3.3	Certificate of Amendment of the Amended and Restated Certificate of Incorporation of Star Equity Holdings, Inc. (formerly Hudson Global, Inc.) (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated June 10, 2019 (File No. 001-38704)).
3.4	Certificate of Amendment to the Amended and Restated Certificate of Incorporation, as Amended, of Star Equity Holdings, Inc. (formerly Hudson Global, Inc.) (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated September 4, 2025 (File No. 001-38704)).
3.5	Certificate of Designations of the Board of Directors Establishing the Series and Fixing the Relative Rights and Preferences of Series A Junior Participating Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated February 2, 2005 (File No. 0-50129)).
3.6	Certificate of Designation of Series B Junior Participating Preferred Stock of Star Equity Holdings, Inc. (formerly Hudson Global, Inc.) (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated October 15, 2018 (File No. 0-50129)).
3.7	Certificate of Designations, Rights, and Preferences of 10% Series A Cumulative Perpetual Preferred Stock of Star Equity Holdings, Inc. (formerly Hudson Global, Inc.) (incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-4 dated July 3, 2025 (File No. 333-288531)).
3.8	Amended and Restated By-laws of Star Equity Holdings, Inc. (formerly Hudson Global, Inc.) (incorporated by reference to Exhibit 3.4 to the Company's Current Report on Form 8-K dated June 15, 2015 (File No. 0-50129)).
3.9	Amendment to the Amended and Restated Bylaws of Star Equity Holdings, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated December 11, 2025).
4.1	Description of Star Equity Holdings, Inc. Registered Securities (incorporated by reference to Exhibit 4.1 to the Star Equity Holdings, Inc. Annual Report on Form 10-K filed on March 20, 2026).
5.1	Opinion of Baker & Hostetler LLP regarding the legality of the securities being issued.
10.1	Employment Letter by and between David A. Garrison and Harte Hanks, Inc., dated August 14, 2026, incorporated herein by reference from Exhibit 10.4 of Harte Hank, Inc.'s Quarterly Report on Form 10-Q filed on August 14, 2026.
10.2	Employment Letter by and between David Fisher and Harte Hanks, Inc., dated August 14, 2026, incorporated herein by reference from Exhibit 10.3 of Harte Hank, Inc.'s Quarterly Report on Form 10-Q filed on August 14, 2026.
21.1	Subsidiaries of Star Equity Holdings, Inc. (incorporated by reference to Exhibit 21.1 to the Star Equity Holdings, Inc. Annual Report on Form 10-K filed on March 20, 2026).
23.1	Consent of Baker & Hostetler LLP (included as part of its opinion filed as Exhibit 5.1).
23.2	Consent of Wolf & Company, P.C., relating to Star Equity Holdings, Inc.'s financial statements.
23.3	Consent of Wolf & Company, P.C., relating to Harte Hanks, Inc.'s financial statements.
24.1	Power of Attorney (included on the signature page to Form S-4).
99.1	Form of Proxy Card for Special Meeting of Harte Hanks, Inc.
99.2	Opinion of Citizens JMP Securities, LLC (included as Annex B to this proxy statement/prospectus).
99.3	Consent of Citizens JMP Securities, LLC.
99.4	Form of Voting and Support Agreement, dated as of August 14, 2026, by and among Star Equity Holdings, Inc. and directors and executive officers of Harte Hanks, Inc., incorporated herein by reference from Exhibit 10.1 of Harte Hanks, Inc.'s Current Report on Form 8-K filed on August 19, 2026.
99.5	Form of Indemnification Agreement for Directors and Officers, by and among Harte Hanks, Inc. and directors and certain officers of Harte Hanks, Inc., incorporated herein by reference from Exhibit 10.1 of Harte Hanks, Inc.'s Quarterly Report on Form 10-Q filed on August 14, 2026.
99.6	Form of Election.
107	Filing Fee Table.

Item 22. Undertakings

The undersigned registrant hereby undertakes:

- (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:
 - (i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, as amended (the “**Securities Act**”);
 - (ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Securities and Exchange Commission (the “**SEC**”) pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the “Calculation of Registration Fee” table, in the effective registration statement;
 - (iii) to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11, or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request;
 - (iv) to supply all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective; and
 - (iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;
- provided, however*, that: paragraphs (1)(i), (1)(ii) and (1)(iii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the SEC by the Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.
- (2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
- (3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

- (4) That, for the purpose of determining liability under the Securities Act to any purchaser:
- (i) Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and
 - (ii) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5) or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii) or (x) for the purpose of providing the information required by Section 10(a) of the Securities Act shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof. *Provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.
- (5) That, for the purpose of determining liability of the registrant under the Securities Act to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:
- (i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;
 - (ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;
 - (iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and
 - (iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.
- (6) That, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
- (7) To file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of Section 310 of the Trust Indenture Act in accordance with the rules and regulations prescribed by the SEC under Section 305(b)(2) of the Trust Indenture Act.
- (8) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-4 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the Town of Old Greenwich, State of Connecticut, on October 19, 2026.

STAR EQUITY HOLDINGS, INC.

By: /s/ Jeffrey E. Eberwein
Name: Jeffrey E. Eberwein
Title: Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Jeffrey E. Eberwein and Matthew K. Diamond, and each of them, as the undersigned's true and lawful attorneys-in-fact and agents, with full power of substitution, for the undersigned in any and all capacities, to sign any or all amendments to this Registration Statement on Form S-4 (including all post-effective amendments), and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto 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 for all intents and purposes as the undersigned might or could do in person, hereby and about the premises hereby ratifying and confirming all that said attorneys-in-fact and agent, proxy and agent, or their substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, the following persons in the capacities and on the dates indicated have signed this Registration Statement below.

Signature	Title	Date
<u>/s/ Jeffrey E. Eberwein</u> Jeffrey E. Eberwein	Chief Executive Officer and Director (Principal Executive Officer)	October 19, 2026
<u>/s/ Matthew K. Diamond</u> Matthew K. Diamond	Chief Accounting Officer (Principal Financial Officer and Principal Accounting Officer)	October 19, 2026
<u>/s/ Mimi K. Drake</u> Mimi K. Drake	Chairman of the Board of Directors	October 19, 2026
<u>/s/ Todd Michael Fruhbeis</u> Todd Michael Fruhbeis	Director	October 19, 2026
<u>/s/ Connie M. Nelson</u> Connie M. Nelson	Director	October 19, 2026
<u>/s/ Jennifer Palmer</u> Jennifer Palmer	Director	October 19, 2026
<u>/s/ Louis A. Parks</u> Louis A. Parks	Director	October 19, 2026
<u>/s/ Robert G. Pearse</u> Robert G. Pearse	Director	October 19, 2026



October 19, 2026

Star Equity Holdings, Inc.
53 Forest Avenue, Suite 101
Old Greenwich, CT 06870

Ladies and Gentlemen:

We have acted as counsel to Star Equity Holdings, Inc., a Delaware corporation (the “**Company**”), in connection with the filing of the Company’s Registration Statement on Form S-4 (the “**Registration Statement**”) with the Securities and Exchange Commission (the “**Commission**”) under the Securities Act of 1933, as amended (the “**Securities Act**”), relating to the registration of up to 3,836,801 shares of the Company’s 10.0% Series A Cumulative Perpetual Preferred Stock, \$0.001 par value per share (the “**Preferred Stock**”). The securities described in the foregoing clause shall be referred to herein as the “**Registered Securities**”, and are to be issued pursuant to the terms of the Agreement and Plan of Merger dated as of August 14, 2026 (the “**Merger Agreement**”), by and among the Company, Merger Sub - R, Inc., a Delaware corporation and wholly owned subsidiary of the Company (“**Merger Sub**”), and Harte Hanks, Inc., a Delaware corporation (“**Harte Hanks**”), pursuant to which, among other matters, and subject to the satisfaction or waiver of the conditions set forth in the Merger Agreement, Merger Sub will merge with and into Harte Hanks, with Harte Hanks continuing as the surviving corporation of the merger (the “**Merger**”), and a wholly owned subsidiary of the Company. Capitalized terms used but not otherwise defined herein shall have the meanings assigned to them in the Merger Agreement.

The Registered Securities consist of shares of Preferred Stock to be issued as merger consideration in respect of shares of common stock, par value \$1.00 per share, of Harte Hanks (the “**Harte Hanks Common Stock**”) and certain Harte Hanks equity awards pursuant to the Merger Agreement. The number of Registered Securities is subject to adjustment in accordance with the Merger Agreement, and the term “Registered Securities” shall include any additional shares of Preferred Stock registered by the Company pursuant to Rule 462(b) under the Securities Act in connection with the offering contemplated by the Registration Statement.

The Merger is subject to satisfaction or waiver of a number of closing conditions, including receipt of the requisite approval of the Harte Hanks stockholders.

This opinion letter is being delivered in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Securities Act.

We have examined the Registration Statement, the Merger Agreement, the Company's Certificate of Designations, Rights and Preferences for the Preferred Stock, the Company's certificate of incorporation and bylaws and the resolutions adopted by the Company's board of directors relating to the Registration Statement, the Merger Agreement, and the issuance of the Registered Securities by the Company, and such other instruments, documents, certificates and records that we have deemed relevant and necessary for the basis of our opinions hereinafter expressed.

In such examination, we have assumed: (i) the authenticity of original documents and the genuineness of all signatures; (ii) the conformity to the originals of all documents submitted to us as copies; (iii) the truth, accuracy and completeness of the information, representations and warranties contained in the instruments, documents, certificates and records we have reviewed; (iv) that the Registration Statement, as finally amended, shall have become effective and remain effective under the Securities Act at the time of issuance and sale of the Registered Securities; (v) that the Registered Securities will be issued and sold in compliance with applicable U.S. federal and state securities laws and in the manner stated in the Registration Statement; (vi) that the consummation of the Merger shall have been approved by the stockholders of Harte Hanks; (vii) that the Merger shall have become effective under the General Corporation Law of the State of Delaware (the "**DGCL**") and (viii) the legal capacity of all natural persons. As to any facts material to the opinions expressed herein that were not independently established or verified, we have relied upon oral or written statements and representations of officers and other representatives of the Company.

Based on such examination, we are of the opinion that the Registered Securities have been duly authorized and, upon issuance and delivery as merger consideration in respect of shares of Harte Hanks Common Stock and certain Harte Hanks equity awards in accordance with the terms of the Merger Agreement, the Registered Securities will be validly issued, fully paid and non-assessable.

Our opinions are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, fraudulent transfer and other similar laws relating to or affecting creditors' rights generally and to general equitable principles (regardless of whether considered in a proceeding in equity or at law), including concepts of commercial reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief.

We express no opinion as to the laws of any other jurisdiction, other than the federal laws of the United States of America and the DGCL. We do not express any opinion as to the effect on the matters covered by this letter of the laws of any other jurisdiction. The opinion expressed above is as of the date hereof only, and we express no opinion as to, and assume no responsibility for, the effect of any fact or circumstance occurring, or of which we learn, subsequent to the date of this opinion letter, including, without limitation, legislative and other changes in the law or changes in circumstances affecting any party. We assume no responsibility to update this opinion letter for, or to advise you of, any such facts or circumstances of which we become aware, regardless of whether or not they affect the opinion expressed in this opinion letter.

We hereby consent to the filing of this letter as Exhibit 5.1 to the Registration Statement. We further consent to the incorporation by reference of this letter and consent into any registration statement or post-effective amendment to the Registration Statement filed pursuant to Rule 462(b) under the Securities Act with respect to the Registered Securities. In giving such consent, we do not hereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Baker & Hostetler LLP", is written over the printed name of the firm.

BAKER & HOSTETLER LLP

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Registration Statement on Form S-4 of Star Equity Holdings, Inc., of our report dated March 20, 2026, relating to the consolidated financial statements of Star Equity Holdings, Inc., appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to our firm under the caption “Experts” in such Registration Statement.

Wolf & Company, P.C.

Boston, Massachusetts

October 19, 2026

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Registration Statement on Form S-4 of Star Equity Holdings, Inc., of our report dated March 17, 2026, relating to the consolidated financial statements of Harte Hanks, Inc., appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to our firm under the caption “Experts” in such Registration Statement.

Wolf & Company, P.C.

Boston, Massachusetts

October 19, 2026



HARTE HANKS, INC.
ATTN: GENERAL COUNSEL
1 EXECUTIVE DRIVE, SUITE 303
CHELSEA, MA 02156



SCAN TO
VIEW MATERIALS & VOTE



VOTE IN PERSON
To vote in person at the Special Meeting, attend the Special Meeting and cast your vote.

VOTE BY INTERNET
Go to www.proxyvote.com or scan the QR Barcode above

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 p.m. Eastern Time on [TBD]. Have your proxy card in hand when you access the website and follow the instructions to obtain your records and to create an electronic voting instruction form.

VOTE BY PHONE - 1-800-690-6903
Use any touch-tone telephone to transmit your voting instructions up until 11:59 p.m. Eastern Time on [TBD], 2026. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL
Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717. Votes submitted through the mail must be received prior to [TBD].

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

T04806-TBD

KEEP THIS PORTION FOR YOUR RECORDS

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

DETACH AND RETURN THIS PORTION ONLY

HARTE HANKS, INC.

The Board of Directors recommends you vote FOR the following proposals:

For Against Abstain

- | | | | |
|---|---|---|---|
| 1. A proposal to approve the Agreement and Plan of Merger, dated as of August 14, 2026, by and among Star, Merger Sub, and Harte Hanks, and the transactions contemplated by that agreement, pursuant to which Merger Sub will merge with and into Harte Hanks, as more fully described in the accompanying proxy statement/prospectus (the " Harte Hanks Merger Proposal "); | ! | ! | ! |
| 2. A proposal to approve, on an advisory (non-binding) basis, the compensation that will or may become payable to Harte Hanks' named executive officers in connection with the Merger, as disclosed pursuant to Item 402(t) of Regulation S-K in the Golden Parachute Compensation table and related narrative disclosures in the proxy statement/prospectus (the " Non-Binding Advisory Compensation Proposal "); and | ! | ! | ! |
| 3. To transact such other business as may properly come before the Special Meeting or any adjournments or postponements thereof. | | | |

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]	Date
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Signature (Joint Owners)	Date
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Important Notice Regarding the Availability of Proxy Materials for the Special Meeting:
The Notice and Proxy Statement is available at www.proxyvote.com.

T04807-TBD

HARTE HANKS, INC.
Special Meeting of Stockholders
[TBD], [TBD], EASTERN TIME
This proxy is solicited by the Board of Directors

The stockholder(s) hereby appoint(s) David Garrison and David Fisher, and each of them, as proxies, each with power to act without the other and with power of substitution, and hereby authorize(s) them to represent and vote, as designated on the reverse side of this ballot, all of the shares of Common Stock of HARTE HANKS, INC. that the stockholder(s) is/are entitled to vote at the Special Meeting of Stockholders to be held at 1 Executive Drive, Suite 303, Chelmsford, MA 01824, on [TBD] at [TBD] Eastern Time, or at such other time and place to which the Special Meeting may be adjourned or postponed.

This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted in accordance with the Board of Directors' recommendations.

Continued and to be signed on reverse side

CONSENT OF CITIZENS JMP SECURITIES, LLC

We hereby consent to the use of our opinion letter, dated August 12, 2026, to the Board of Directors of Harte Hanks, Inc., included as Annex B to the proxy statement/prospectus which forms a part of the Registration Statement on Form S-4 of Star Equity Holdings, Inc., to be filed on the date hereof, and to the references to such opinion in such proxy statement/prospectus under the captions: “Summary – Opinion of Harte Hanks’ Financial Advisor,” “Risk Factors – Risks Relating to the Consummation of the Merger,” “The Merger – Background of the Merger,” “The Merger – Harte Hanks’ Reasons for the Merger; Recommendation of Board of Directors of Harte Hanks” and “The Merger – Opinion of Harte Hanks’ Financial Advisor.” In giving such consent, we do not admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission thereunder, nor do we thereby admit that we are experts with respect to any part of such Registration Statement within the meaning of the term “expert” as used in the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission thereunder. Additionally, such consent does not cover any amendments to the Registration Statement.

/s/ CITIZENS JMP SECURITIES, LLC

New York, New York

October 19, 2026

TOTAL

2. ELECTION

You may elect to receive one of the following forms of Merger Consideration for all or a portion of your shares of Harte Hanks Common Stock or Award Company Shares. All elections are subject to the proration, allocation and adjustment provisions of the Merger Agreement, including the Maximum Cash Amount described below.

SELECT	ELECTION	NUMBER OF SHARES
☐	CASH ELECTION I elect to receive \$5.00 in cash, without interest, with respect to the shares or Award Company Shares designated for this election, subject to the applicable option exercise price, if any, and the proration and adjustment provisions of the Merger Agreement.	_____
☐	PREFERRED STOCK ELECTION I elect to receive 0.50 shares of Star's 10% Series A Cumulative Perpetual Preferred Stock, par value \$0.001 per share (" Star Preferred Stock "), with respect to the shares or Award Company Shares designated for this election, subject to the applicable option exercise price, if any, and the proration and adjustment provisions of the Merger Agreement.	_____
☐	MIXED ELECTION I elect Cash Consideration for the number of shares entered in the Cash Election row above and Preferred Stock Consideration for the number of shares entered in the Preferred Stock Election row above, in each case subject to the applicable option exercise price, if any, and the proration and adjustment provisions of the Merger Agreement.	_____

IMPORTANT: If you make a Mixed Election, the total number of shares entered in the Cash Election and Preferred Stock Election rows may not exceed the total number of shares covered by this Form of Election. All elections must be made with respect to whole shares.

If no election is properly made, an election is revoked, or the Payment Agent determines that an election was not properly completed, signed or timely received, the affected shares will be treated as Non-Electing Company Shares and will receive Cash Consideration, Preferred Stock Consideration or a combination of both as provided in the Merger Agreement.

3. IMPORTANT PRORATION AND FRACTIONAL-SHARE INFORMATION

The aggregate amount of cash payable in respect of Harte Hanks Common Stock and Award Company Shares, together with cash payable in lieu of fractional shares of Star Preferred Stock, may not exceed \$19,200,000 (the "**Maximum Cash Amount**"). If Cash Elections are oversubscribed, each Preferred Stock Electing Company Share and each Non-Electing Company Share will receive the Preferred Stock Consideration. Each Cash Electing Company Share will receive (i) a prorated portion of the Cash Consideration, determined by multiplying the Cash Consideration by a fraction, the numerator of which is the Maximum Cash Amount and the denominator of which is the aggregate cash that would have been payable if all Cash Electing Company Shares received the Cash Consideration in full, and (ii) the Preferred Stock Consideration in respect of the remaining portion of such Cash Electing Company Share. If Cash Elections are undersubscribed, Cash Electing Company Shares will receive Cash Consideration, Preferred Stock Electing Company Shares will receive Preferred Stock Consideration, and Star may allocate Cash Consideration, Preferred Stock Consideration or both to Non-Electing Company Shares, subject to the Maximum Cash Amount.

No fractional shares of Star Preferred Stock will be issued. Cash, without interest, will be paid in lieu of a fractional share in an amount equal to the fractional share multiplied by \$10.00.

THE FORM AND AMOUNT OF MERGER CONSIDERATION ACTUALLY RECEIVED MAY DIFFER FROM THE FORM AND AMOUNT ELECTED.

4. CERTIFICATES, BOOK-ENTRY SHARES AND GUARANTEED DELIVERY

To make a valid election, this Form of Election must be properly completed, signed and timely received by the Payment Agent and must be accompanied by the materials required below:

- Certificates: Enclose all certificates representing shares covered by this Form of Election, duly endorsed in blank or otherwise in form acceptable for transfer, or provide an appropriate guarantee of delivery of such certificates in accordance with the guaranteed-delivery procedures specified by the Payment Agent.
- Book-Entry Shares: Follow the procedures specified by the Payment Agent and provide any agent's message, transfer instruction or other evidence requested by the Payment Agent.
- Award Company Shares: Provide any additional documents or instructions required by the Payment Agent. No stock certificate is required for an Award Company Share.

Delivery will be effected, and risk of loss and title to any certificate will pass, only upon proper delivery of this Form of Election and the applicable certificate to the Payment Agent.

☐ Certificates are enclosed. ☐ Shares are held in book-entry form. ☐ Election relates to Award Company Shares. ☐ Guaranteed delivery is being used.

5. REQUIRED SIGNATURES

By signing below, the undersigned represents that the undersigned has full power and authority to make the election set forth above and agrees to the terms, conditions and instructions contained in this Form of Election, the proxy statement/prospectus and the Merger Agreement.

_____ Signature of Holder	_____ Date	_____ Signature of Joint Holder, if any	_____ Date
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_____ Printed Name	_____ Capacity, if applicable	_____ Printed Name	_____ Capacity, if applicable
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_____ Address	_____ City / State / ZIP	_____ Daytime Telephone	_____ Email Address
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Taxpayer Identification Number: _____

If signing in a fiduciary or representative capacity, attach evidence of authority unless already on file with the Payment Agent.

6. MEDALLION SIGNATURE GUARANTEE (IF REQUIRED)

A signature guarantee is required if this Form of Election is signed by a person other than the registered holder, or if any payment or book-entry position is to be issued in a name other than that of the registered holder, except as otherwise waived by the Payment Agent.

_____ Authorized Signature of Eligible Institution	_____ Name of Eligible Institution
_____ Name and Title	_____ Address and Telephone

Place Medallion Guarantee Stamp Here

INSTRUCTIONS FOR COMPLETING THE FORM OF ELECTION

Please read these instructions, the proxy statement/prospectus and the Merger Agreement carefully before completing this Form of Election.

1. ELECTIONS. Complete Sections 1, 2 and 5. You may make a Cash Election, Preferred Stock Election or Mixed Election. For a Mixed Election, specify the number of whole shares allocated to each election. The total number of shares elected may not exceed the number of shares covered by this Form of Election. Elections are subject to the proration, allocation and adjustment provisions of the Merger Agreement.

2. ELECTION DATE. The Payment Agent must receive this Form of Election, properly completed and signed, together with all required certificates or other materials, by 5:00 p.m., New York City time, on the Election Date. The Election Date will be the date of the Harte Hanks stockholder meeting or, if the Closing Date is more than four Business Days after that meeting, the date that is two Business Days before the Closing Date, unless Star and Harte Hanks mutually agree upon and publicly announce another date. Star and Harte Hanks will publicly announce the anticipated Election Date at least five Business Days before the anticipated Closing Date. If the Closing Date is delayed, the Election Date will be similarly delayed, and Star and Harte Hanks will announce the delay and, when determined, the rescheduled Election Date.

3. DELIVERY OF CERTIFICATES; BOOK-ENTRY SHARES; AWARD COMPANY SHARES. For certificated shares, deliver the certificates with this Form of Election, duly endorsed in blank or otherwise in form acceptable for transfer, or use the guaranteed-delivery procedures in Instruction 4. For book-entry shares or Award Company Shares, follow all additional procedures specified by the Payment Agent. Do not send certificates to Star or Harte Hanks.

4. GUARANTEED DELIVERY. If certificates cannot be delivered by the Election Date, an election may be made only if the Payment Agent receives by the Election Date a properly completed Form of Election and a properly completed notice or other appropriate guarantee of delivery in the form required by the Payment Agent from an eligible guarantor institution. The related certificates must then be delivered within the period specified by the Payment Agent.

5. REVOCATION OR CHANGE OF ELECTION. An election may be revoked with respect to all or a portion of the shares covered by it by written notice received by the Payment Agent before 5:00 p.m., New York City time, on the Election Date. An election may be changed before that deadline by submitting a properly completed and signed revised Form of Election in accordance with the Payment Agent's procedures. Any shares subject to a revoked election will become Non-Electing Company Shares unless a new, properly completed and signed Form of Election is timely received. All elections automatically will be revoked if the Merger Agreement is terminated.

6. SIGNATURES. Signatures must correspond exactly with the name shown on the applicable certificate or stock records, without alteration, enlargement or other change. Joint holders must all sign. A trustee, executor, administrator, guardian, attorney-in-fact, officer or other person acting in a fiduciary or representative capacity must indicate that capacity and submit satisfactory evidence of authority.

7. TRANSFER OF OWNERSHIP OR PAYMENT TO ANOTHER NAME. If ownership has been transferred but the transfer is not registered in Harte Hanks' records, or if the Merger Consideration is to be issued or paid in a name other than that of the registered holder, the certificate must be properly endorsed or accompanied by an appropriate stock power or, in the case of book-entry shares, a proper transfer instruction must be presented, the signature must be guaranteed by an eligible institution and any applicable transfer taxes must be paid or satisfactory evidence of non-applicability must be provided.

8. LOST, STOLEN OR DESTROYED CERTIFICATES. If a certificate has been lost, stolen or destroyed, contact the Payment Agent promptly. The holder must provide an affidavit of that fact and, if requested by Star or the Payment Agent, post a customary indemnity bond before receiving Merger Consideration.

9. NOMINEES AND BENEFICIAL HOLDERS. Only record holders of Harte Hanks Common Stock and holders of Award Company Shares may submit this Form of Election directly. A broker, bank, trustee or other nominee may make separate elections on behalf of different beneficial owners, provided that the nominee follows the Payment Agent's procedures and supplies any required supporting schedules or instructions. Beneficial owners should provide election instructions to their broker, bank or other nominee.

10. TAX FORMS; WITHHOLDING. The holder should provide a properly completed IRS Form W-9 or applicable IRS Form W-8, as requested by the Payment Agent. The Payment Agent, Star, Merger Sub, Harte Hanks and the surviving corporation may deduct and withhold amounts required by applicable tax law. Withholding with respect to Preferred Stock Consideration may be satisfied from cash otherwise payable or by withholding a portion of the Star Preferred Stock otherwise deliverable.

11. DETERMINATIONS; DEFECTS. The Payment Agent will determine whether an election has been properly made, revoked or lost and will perform the proration computations. Absent manifest error, those determinations and computations will be conclusive and binding.

12. NO VOTE. Completing and returning this Form of Election does not constitute a vote on the proposal to adopt the Merger Agreement. Voting instructions are contained in the proxy statement/prospectus.

13. NO INTEREST; FRACTIONAL SHARES. No interest will be paid on Cash Consideration or cash paid in lieu of fractional shares. No fractional shares of Star Preferred Stock will be issued; cash will be paid in lieu of a fractional share as described in Section 3 of this Form of Election.

14. ADDITIONAL COPIES AND QUESTIONS. Additional copies of this Form of Election may be obtained from the Payment Agent. Questions concerning completion or delivery should be directed to the Payment Agent at the contact information on the first page.

THE MERGER AGREEMENT AND PROXY STATEMENT/PROSPECTUS GOVERN. If this Form of Election conflicts with the Merger Agreement or the proxy statement/prospectus, the Merger Agreement and proxy statement/prospectus, as applicable, will control.

NOTICE OF GUARANTEED DELIVERY (IF APPLICABLE)

This section is to be completed only by an eligible guarantor institution if certificates cannot be delivered to the Payment Agent by the Election Date.

Name(s) of Record Holder(s)

Certificate Number(s)

Number of Shares

Name of Eligible Guarantor Institution

Authorized Signature / Name / Title

Address / Telephone / Date

Star Equity Holdings, Inc.

☐ Not Applicable☒ Not Applicable[illegible]

Fee Offset Sources											
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Table 3: Combined Prospectuses

☒Not Applicable

	Security Type	Security Class Title	Amount of Securities Previously Registered	Maximum Aggregate Offering Price of Securities Previously Registered	Form Type	File Number	Initial Effective Date
--	---------------	----------------------	--	--	-----------	-------------	------------------------