

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark One)
☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2023
or
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number: 001-35947



Star Equity Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of Incorporation or Organization)
53 Forest Ave. Suite 101, Old Greenwich CT
(Address of Principal Executive Offices)

33-0145723
(I.R.S. Employer Identification No.)
06870
(Zip Code)

(203) 489-9500
(Registrant's Telephone Number, Including Area Code)
Securities registered pursuant to Section 12(b) of the Act:

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒
Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐
Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the voting common stock held by non-affiliates based on the closing stock price on June 30, 2023, was \$10.4 million. For purposes of this computation only, all executive officers and directors have been deemed affiliates.

The number of outstanding shares of the registrant’s common stock, par value \$0.0001 per share, as of March 7, 2024 was 15,848,202.

DOCUMENTS INCORPORATED BY REFERENCE

None.

STAR EQUITY HOLDINGS, INC.
FORM 10-K—ANNUAL REPORT
For the Fiscal Year Ended December 31, 2023
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PART I

Cautionary Statement Regarding Forward-Looking Statements

Portions of this Annual Report on Form 10-K (including information incorporated by reference) include “forward-looking statements” based on our current beliefs, expectations, and projections regarding our business strategies, market potential, future financial performance, industry, and other matters. This includes, in particular, “Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Annual Report on Form 10-K, as well as other portions of this Annual Report on Form 10-K. The words “believe,” “expect,” “anticipate,” “project,” “could,” “would,” and similar expressions, among others, generally identify “forward-looking statements,” which speak only as of the date the statements were made. The matters discussed in these forward-looking statements are subject to risks, uncertainties, and other factors that could cause our actual results to differ materially from those projected, anticipated, or implied in the forward-looking statements. The most significant of these risks, uncertainties, and other factors are described in “Item 1A — Risk Factors” of this Annual Report on Form 10-K. Except to the limited extent required by applicable law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Corporate Information

Star Equity Holdings, Inc. is a diversified holding company with two divisions: Construction and Investments. For additional details related to the Company’s reportable segments, see Item 1. *Business — Business Segments* and Note 15. *Segments* within the notes to our accompanying consolidated financial statements. Unless the context requires otherwise, in this report the terms “we,” “us,” and, “our” refer to Star Equity and our wholly owned subsidiaries.

ITEM 1. BUSINESS

Overview

Star Equity Holdings, Inc. (“Star Equity”, the “Company”, “we”, “our”) is a multi-industry diversified holding company incorporated as a Delaware corporation in 1997. Currently, we have two divisions which include the operating businesses in our Construction division and an Investments division. We previously had a Healthcare division which we sold on May 4, 2023, as further described in Note 3. *Discontinued Operations*.

Our Construction division is currently made up of three 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”. KBS is based in Maine and manufactures modular buildings, typically in the single and multi-family residential segments, principally servicing 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 for commercial and residential customers. We distribute building materials from two lumberyard locations primarily focused on professional builder customers. EBGL expanded its market share of the Greater Minneapolis area through the acquisition of all of the assets of Big Lake Lumber Inc. (“BLL”) in October 2023. See Note 16. *Mergers and Acquisitions* for further information.

Our Investments division currently holds and manages our corporate-owned real estate, including two manufacturing facilities in Maine that are leased to KBS and one manufacturing facility in Minnesota that is leased to Glenbrook. The Investments division also manages internally-funded, concentrated minority investments in a number of public companies, cost method investments in private companies, and notes receivable.

Strategy

Star Equity

We believe our multi-industry diversified holding company structure allows Star Equity management to focus on capital allocation, strategic leadership, mergers and acquisitions, capital markets transactions, and investor relations, as well as direct management of our Investments division. 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 valuation. We may pursue our goals through organic growth and through strategic alternatives. Some of these alternatives have included, and could continue to include, selective acquisitions of businesses, divestitures of assets or businesses, equity offerings, debt financings, or corporate restructuring.

Operating Businesses

We believe that our Construction division 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. Our primary focus will be 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.** Within our Construction division companies, we will consider opportunities to augment our service offering 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 financial criteria for acquisitions to grow our Company. 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.

Business Segments

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. Prior to May 2023, we had three reportable segments: Healthcare, Construction, and Investments. Effective as of May 2023 with the sale of our Digirad Health business, we have two reportable segments: Construction and Investments. Our corporate structure reflects the manner in which our CODM assesses performance and allocates resources.

See Note 15. *Segments*, within the notes to our accompanying consolidated financial statements.

Detailed Description of Our Operating Segments

Construction

Our Construction division services residential and commercial construction projects via our KBS, EdgeBuilder, and Glenbrook brands, through which we manufacture modular housing units, structural wall panels, permanent wood foundation systems, and other engineered wood products, and also supply general contractors and retail customers with building materials.

KBS is a Maine-based modular builder that started operations in 2001. Today, KBS manufactures fully custom modular homes. KBS offers products for both multi-family and single-family residential buildings leveraging an in-house engineering team and design expertise. KBS markets its modular homes through a direct sales organization, which consists of inside sales and outside sales teams who work with a network of independent dealers, builders, and contractors, primarily in the New England states (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont). KBS's outside sales organization focuses on commercial building projects, and works with developers, architects, owners, and general contractors to establish the scope of work, terms of payment, and general requirements for each project. KBS's inside sales people focus on a network of independent dealers, builders, and contractors to accurately configure and place orders for mainly single-family residential homes. KBS's network of independent dealers and contractors do not work with KBS exclusively, although some have KBS model homes on display at their retail centers. KBS's backlog and pipeline, along with its market initiatives to build more student, workforce, and affordable housing, are expected to position KBS for continued growth, particularly in the multi-family segment.

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

Glenbrook (inclusive of BLL acquired in 2023) is a supplier of lumber, windows, doors, cabinets, drywall, roofing, decking, and other building materials to professional builders. Glenbrook conducts its operations in Oakdale, Minnesota and Big Lake, Minnesota with an operational facility in Hudson, Wisconsin. EdgeBuilder and Glenbrook operate as one business with a single management team and we refer to them together as EBGL.

Investments

We hold three real estate assets in our portfolio, two of which we lease to our construction subsidiary, KBS, and the third we lease to our construction subsidiary, Glenbrook. These include their principal production facilities in South Paris, Maine and Big Lake, Minnesota, respectively. Also, we continue to expand our investment activities and have established minority positions in the equity securities of a small number of publicly traded companies, cost method investments in private companies, and notes receivables.

Our Competitive Strengths

Construction Services and Products

Our competitive strengths at KBS include our strategic location near the Greater Boston region and our ability to serve all of New England. We have the largest manufacturing capacity in New England with the ability to provide high quality wood-based modules for both single and commercial scale multi-family residential buildings. We also provide significant value through our longstanding engineering and design expertise, with a focus on customization to suit specific project requirements. We continue to develop our expertise and specialized knowledge in highly energy-efficient passive homes, which included the delivery of our first zero-energy modular homes for the affordable housing segment during 2020. Additionally, we believe there is a large opportunity in the commercial-scale multi-family modular segment and we have continued to pursue more of these projects.

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

We expect the offsite construction industry to achieve revenue growth over the next several years driven largely by rising housing demand which can be met via modular construction. We believe our Construction division is well positioned to capitalize on the growing popularity of offsite construction—both modular and panelized—in our two current target markets and the United States as a whole.

Sales

Construction

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

EBGL markets its engineered structural wall panels and permanent wood foundation systems through direct sales people to a network of builders, contractors, and developers in the Minneapolis-Saint Paul area and the Upper Midwest states. EBGL's direct sales organization is responsible for both residential and commercial projects. Our marketing efforts include participation in industry trade shows, production of product literature, and the use of sales support tools. Our showroom and lumber yard processes orders over the phone and services walk-in traffic, mainly focusing on serving professional builders with our highly experienced in-house sales team.

Competition

Construction

The market for construction, including through offsite manufacturing, is highly competitive.

KBS. KBS is a regional manufacturer of modular housing units with a primary target market in the New England states. Several modular manufacturing competitors are located in these New England states and in nearby Pennsylvania. Some competitors have manufacturing locations in Canada and ship their products to the United States.

EBGL. EBGL is a regional manufacturer of engineered structural wall panels and permanent wood foundation systems and also has a local professional-builder-focused retail distribution business. EBGL's market is primarily the Upper Midwest states (Iowa, Minnesota, Missouri, North Dakota, South Dakota, and Wisconsin), though largely concentrated within Minnesota and Wisconsin. Glenbrook's professional building material distribution businesses (including the newly acquired BLL, as discussed in Note 16. *Mergers and Acquisitions*) compete on a local level against both small, local lumber yards, regional building supply companies, and to a certain degree, the "big box" stores such as Home Depot, Lowe's, and Menard's.

Intellectual Property

Intellectual property is not a significant factor in our Construction business.

Patents

We do not hold any patents within our Construction business.

Raw Materials

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

Manufacturing

Construction. KBS began manufacturing single family homes in 2001 and commercial modular multi-family housing units in 2008. In subsequent years, KBS expanded its product offerings to include a variety of commercial-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 on the foundation. Electrical, plumbing, and HVAC systems are inspected and tested in the factory, prior to transportation to the site, to ensure the modules meet all local building codes and quality requirements. Modular construction has gained increased acceptance and is a preferred method of building by many architects and general contractors. The advantages of modular construction include: modules are constructed in a climate-controlled environment; weather conditions usually do not interrupt or delay construction; the building is protected from weather, reducing the risk of mold 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.

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 (PWF) in a climate-controlled factory, then transports the panels to the construction site via flat-bed trucks. The panels are typically unloaded by crane and erected, or assembled, on site by professional framing contractors. Panelized construction, especially in large-scale, multi-unit projects, is becoming increasingly popular due to the heightened demand 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, leaving room for more annual builds. 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 International Building Code® continues to evolve, KBS and EBGL, along with our professional partners in the industry, meet code changes with innovative products and a dedicated staff for adherent builds.

Human Capital Resources

As of December 31, 2023, we had a total of 171 employees in all our divisions, of which 103 were employed in manufacturing, 20 in operational roles, 27 in general and administrative functions, and 21 in marketing and sales. All of our 171 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. We have policies to prevent discrimination based on gender, race, disability, ethnicity, nationality, religion, sexual orientation, gender identity, or gender expression. 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 work stoppages and consider our employee relations to be good.

Recent History of our Business Transformation

On May 4, 2023, we entered into a Stock Purchase and Contribution Agreement (the “Digirad Purchase Agreement”), by and among the Company, Digirad Health Inc., a Delaware corporation and wholly owned subsidiary of the Company (“Digirad Health”), TTG Imaging Solutions, LLC, a Pennsylvania limited liability company (“TTG”), and TTG’s parent, Insignia TTG Parent LLC, a Delaware limited liability company (“TTG Parent”). Pursuant to the Digirad Purchase Agreement, (i) TTG purchased 85% of the issued and outstanding shares of Digirad Health, on the terms and subject to the conditions set forth therein and (ii) the Company contributed to TTG Parent 15% of the issued and outstanding shares of stock of Digirad Health (the “Contributed Shares”) in exchange for New Units (as defined in the Digirad Purchase Agreement) of TTG Parent (the “Transaction”). The total aggregate consideration payable to the Company for the Transaction was \$40 million, comprised of \$19.7 million (\$27 million less payoff of debt to Webster Bank (see Note 8. *Debt*) and transaction costs) in cash, a \$7 million promissory note (see Note 5. *Supplemental Balance Sheet Information*), and \$6 million of New Units in TTG Parent (see Note 5. *Supplemental Balance Sheet Information*). The Company completed the sale of Digirad Health simultaneously with entering into the Digirad Purchase Agreement. See Note 3. *Discontinued Operations* for further information.

On October 31, 2023, we purchased certain assets of BLL. Pursuant to this transaction, BLL sold its lumberyard and showroom facility to 791 Rose Drive LLC, a wholly-owned subsidiary of the Company, and certain related assets to Glenbrook, and rebranded the location and business operations to fall under the Glenbrook name, for a combined purchase price of \$3.3 million (the “BLL Purchase Price”). The BLL Purchase Price is subject to certain post-closing adjustments including an earn-out provision of up to \$0.5 million payable over two years and a hold back to satisfy certain indemnification obligations of Glenbrook under the purchase agreement. As discussed in more detail in Note 16. *Mergers and Acquisitions*, we recognized a gain upon the acquisition which represents the excess of the fair value of net assets acquired over the purchase price.

Available Information

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

The Company’s annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports are available free of charge on our website (www.starequity.com) as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. Such reports will remain available on our website for at least 12 months and are also available free of charge by written request or by contacting Star Equity at (203) 489-9500 or our third-party Investor Relations representative at (212) 836-9611.

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

ITEM 1A. RISK FACTORS

Summary of Risk Factors

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

- We have a history of annual net losses attributable to common stockholders which may continue and which may negatively impact our ability to achieve our growth initiatives.
- We rely on information technology in our operations, and any material failure, inadequacy, interruption, or security failure of that technology could materially harm our business.
- We may not be able to achieve the anticipated synergies and benefits from business acquisitions.
- We face risks related to health pandemics, wars, inflation, and other widespread outbreaks of contagious disease, including COVID-19 and its variants, or other potential causes of global instability which could significantly disrupt our operations and impact our financial results.
- We are subject to particular risks associated with real estate ownership, which could result in unanticipated losses or expenses.
- Operating results may be adversely affected by changes in the costs and availability of supplies and materials.
- Our quarterly and annual financial results are difficult to predict and are likely to fluctuate from period to period.
- We spend considerable time and money complying with federal and state laws, regulations, and other rules which may fluctuate, and if we are unable to fully comply with such laws, regulations, and other rules, we could face substantial penalties.
- We are subject to risks associated with self-insurance related to health benefits.
- Our long-term results depend upon our ability to improve existing products and services and develop, introduce, and market new products and services successfully.
- We may make financial investments in other businesses that may lose value.
- Our goodwill and other long-lived assets are subject to potential impairment that could negatively impact our earnings.
- If KBS is unable to maintain or establish its relationships with independent dealers and contractors who sell its homes, KBS revenue could decline.
- Due to the nature of our business, many of our expenses are fixed costs and if there are decreases in demand for products, it may adversely affect operating results.
- Due to the nature of the work we and our subsidiaries perform, we may be subject to significant liability claims and disputes.
- Rising inflation and interest rates could negatively impact our revenues, profitability, and borrowing costs. In addition, if our costs increase and we are not able to correspondingly adjust our commercial relationships to account for this increase, our net income would be adversely affected, and the adverse impact may be material.
- Any indebtedness incurred by the Company could restrict our operations and make us more vulnerable to adverse economic conditions.
- If we are unable to generate or borrow sufficient cash to make payments on our indebtedness, our financial condition would be materially harmed, our business could fail, and stockholders may lose all of their investment.
- The market price of our common stock may be volatile, and the value of your investment could decline significantly.
- Our common stock has a low trading volume and shares available under our equity compensation plans could affect the trading price of our common stock.
- If we cannot continue to satisfy the Nasdaq Global Market continued listing standards and other Nasdaq rules, our common stock could be delisted, which would harm our business, the trading price of our common stock, our ability to raise additional capital and the liquidity of the market for our common stock.
- A possible “short squeeze” due to a sudden increase in demand of our common stock that largely exceeds supply may lead to price volatility in our common stock.

- Payment of dividends on our common stock is prohibited unless we have declared and paid (or set apart for payment) full accumulated dividends on the Series A Preferred Stock, which also has a significant liquidation value.
- If we fail to pay dividends on our Series A Preferred Stock for six or more consecutive quarters, holders of our Series A Preferred Stock will be entitled to elect two additional directors to our board of directors.
- We may not be able to redeem our Series A Preferred Stock upon a Change of Control Triggering Event (as defined herein).
- As a smaller reporting company, we are subject to scaled disclosure requirements that may make it more challenging for investors to analyze and compare our results of operations and financial prospects.
- If securities or industry analysts do not publish research or reports about our business, or if they issue an adverse or misleading opinion regarding our stock, the price and trading volume of our securities could decline.
- The protective amendment contained in our Restated Certificate of Incorporation, which is intended to help preserve the value of certain income tax assets, primarily NOLs, may have unintended negative effects.
- Our stockholder rights plan, or “poison pill,” includes terms and conditions which could discourage a takeover or other transaction that stockholders may consider favorable.
- Anti-takeover provisions in our organizational documents and Delaware law may prevent or delay removal of current management or a change in control.
- We expect to be limited in our ability to utilize net operating loss carryforwards to reduce our future tax liability as a result of our January 2022 public offering.

Risks Related to Our Business and Industry

We have a history of annual net losses attributable to common stockholders which may continue and which may negatively impact our ability to achieve our growth initiatives.

Our total stockholders' equity increased to \$65.3 million as of December 31, 2023. For the year ended December 31, 2023, we had revenue of \$45.8 million, compared to revenue of \$57.1 million for the comparable period in 2022. We had net income attributable to common stockholders of \$23.2 million for the year ended December 31, 2023, compared to a net loss attributable to common stockholders of \$7.2 million for the comparable 2022 period. There can be no assurance that, even if our revenue increases, our future operations will result in net income attributable to common stockholders. Our failure to increase our revenues or improve our gross margins will harm our business. We may not be able to sustain or increase profitability on a quarterly or annual basis in the future. If our revenues grow more slowly than we anticipate, our gross margins fail to improve or our operating expenses exceed our expectations, our operating results will suffer. The prices we charge for our products and services may decrease, which would reduce our revenues and harm our business. If we are unable to sell our products at acceptable prices relative to our costs, or if we fail to develop and introduce on a timely basis new products from which we can derive additional revenues, our financial results will suffer.

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

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

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

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

Part of our business strategy is to acquire businesses that we believe can complement or expand our current business activities, both financially and strategically. With these synergistic benefits in mind, we acquired KBS, EdgeBuilder and Glenbrook in 2019 and BLL in 2023, and will continue to seek strategic acquisitions in line with our business activities. Acquisitions involve many complexities, including, but not limited to, risks associated with the acquired business' past activities, loss of customers, regulatory changes that are not anticipated, difficulties in integrating personnel and human resource programs, integrating ERP systems and other infrastructures, general underperformance of the business under our control versus the prior owners, unanticipated expenses and liabilities, and the impact on its internal controls of compliance with the regulatory requirements under the Sarbanes-Oxley Act of 2002. As a result, the realization of anticipated synergies or benefits from acquisitions may be delayed or substantially reduced, and could potentially result in the impairment of our investment in these businesses.

We face risks related to health pandemics, wars, inflation, and other widespread outbreaks of contagious disease, including COVID-19 and its variants, or other potential causes of global instability which could significantly disrupt our operations and impact our financial results.

Our business has been disrupted and could be further materially adversely affected by the COVID-19 pandemic, wars, or other causes of global instability. Global concerns, such as COVID-19 or other health concerns, wars, or global conflicts, could also result in social, economic, and labor instability in the United States or countries in which we or the third parties with whom we engage operate. The future progression of the COVID-19 pandemic and its effects on our business and operations are uncertain, as well as the impact of global conflicts on supply chains and inflation. We cannot presently predict the scope and severity of any potential business shutdowns or disruptions, including downturns in global economies and financial markets that could affect our future operating results.

Additionally, during 2022 and into early 2023 the global economy experienced high levels of inflation, rising interest rates, significant fluctuations in currency values, and increasing economic uncertainty, particularly in Europe. While inflation in the United States retreated during the latter part of 2023, our results of operations may continue to be negatively impacted by higher costs of raw materials, labor and freight resulting from inflationary pressures. These factors and global events including the ongoing military conflicts between Russia and Ukraine and Israel and Hamas, a softening economy in Europe, and fluctuating interest rates may also have a negative impact on our results.

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

Our business is subject to many risks that are associated with the ownership of real estate. Risks that are associated with real estate acquisition and ownership include, without limitation, the following:

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

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

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

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

We have historically experienced seasonality in all of our businesses and downturns based on the changing U.S. economy.

The Construction industry is sensitive to changes in economic conditions and other factors, including, but not limited to, consumer confidence, increases in interest rates, and the cost and availability of financing. Adverse changes in any of these conditions could decrease demand and pricing for new projects in the areas in which we operate or result in customer cancellations of pending contracts, which could result in a decrease in our revenues in particular periods.

We cannot predict with certainty the overall trajectory of the Construction industry or the duration of trends due to changes in conditions that are beyond our control. These conditions include, but are not limited to:

- rising interest rates;
- economic recession or downturn;
- changes in demographics and population migration that impair the demand for new housing;
- labor issues such as shortages and rising costs of labor; and
- tax law changes.

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

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

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

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

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

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

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

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

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

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

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

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

A significant portion of our assets consists of goodwill and other long-lived assets, the carrying value of which may be reduced if we determine that those assets are impaired. At December 31, 2023, goodwill and net intangible assets represented \$17.0 million, or 22.5% of our total assets, and at December 31, 2022, goodwill and net intangible assets represented \$17.8 million, or 24.3% of our total assets. In addition, net property and equipment assets totaled \$7.8 million and \$5.7 million, or 10.4% and 7.7%, respectively, of our total assets at those dates. If actual results differ from the assumptions and estimates used in our goodwill and long-lived asset valuation calculations, we could incur impairment charges, which could negatively impact our earnings.

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

We recorded no impairment loss during the years ended December 31, 2023 and 2022. See Note 2. *Basis of Presentation and Significant Accounting Policies*, and Note 7. *Goodwill*, within the notes to our accompanying consolidated financial statements for further discussion regarding goodwill and long-lived assets.

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

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

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

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

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

We and our wholly owned subsidiaries engage in services that can result in substantial injury or damages that may expose us to legal proceedings, investigations and disputes. For example, in the ordinary course of our business, we may be involved in legal disputes regarding personal injury and wrongful death claims, employee or labor disputes, professional liability claims, and general commercial disputes, as well as other claims. An unfavorable legal ruling against us or our subsidiaries could result in substantial monetary damages. Although we have adopted a range of insurance, risk management, safety, and risk avoidance programs designed to reduce potential liabilities, there can be no assurance that such programs will protect us fully from all risks and liabilities. If we sustain liabilities that exceed our insurance coverage or for which we are not insured, it could have a material adverse impact on our results of operations and financial condition.

Rising inflation and interest rates could negatively impact our revenues, profitability and borrowing costs. In addition, if our costs increase and we are not able to correspondingly adjust our commercial relationships to account for this increase, our net income would be adversely affected, and the adverse impact may be material.

Inflation rates in the U.S. recently increased to a 40-year high before retreating in the latter part of 2023. Increased inflation may result in decreased demand for our products, increased operating costs (including our labor costs), reduced liquidity, and limitations on our ability to access credit or otherwise raise debt and equity capital. In addition, the United States Federal Reserve has raised, and may again raise, interest rates in response to concerns about inflation. Increases in interest rates have had, and could continue to have, a material impact on our borrowing costs. In an inflationary environment, we may be unable to raise the sales prices of our products at or above the rate at which our costs increase, which could reduce our profit margins and have a material adverse effect on our financial results and net income. We also may experience lower than expected sales if there is a decrease in spending on products in our industry in general or a negative reaction to our pricing. A reduction in our revenue would be detrimental to our profitability and financial condition and could also have an adverse impact on our future growth.

Risks Related to Indebtedness

Any indebtedness incurred by the Company could restrict our operations and make us more vulnerable to adverse economic conditions.

Any indebtedness we incur in the future could have important consequences for us and our stockholders. Our indebtedness could:

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

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

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

Risks Related to our Common Stock and our Company Preferred Stock

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

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

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

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

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

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

There is no assurance that we will be able to maintain compliance with the minimum closing price requirement. In the event that we fail to maintain compliance with Nasdaq listing requirements for 30 consecutive trading days, Nasdaq may send us a notice stating we will be provided a period of 180 days to regain compliance with the minimum bid requirement or else Nasdaq may make a determination to delist our common stock or grant a transfer of our listing to the Nasdaq Capital Market, wherein we would be provided another 180 days to regain compliance. On January 19, 2023 we received a letter stating that we had failed to meet the closing bid price for the last 30 consecutive business days. On June 8, 2023, we received a letter from Nasdaq advising we had regained compliance with the minimum bid price requirement. On February 14, 2024, we received an additional letter from Nasdaq stating that we had failed to meet the closing bid requirement for the last 30 consecutive business days. If our common stock were to be delisted from Nasdaq and was not eligible for quotation or listing on another market or exchange, trading of our common stock could be conducted only in the over-the-counter market or on an electronic bulletin board established for unlisted securities such as the Pink Sheets or the OTC Bulletin Board. In such event, it could become more difficult to dispose of, or obtain accurate price quotations for, our common stock, and there would likely also be a reduction in our coverage by securities analysts and the news media, which could cause the price of our common stock to decline.

A possible "short squeeze" due to a sudden increase in demand of our common stock that largely exceeds supply may lead to price volatility in our common stock.

Investors may purchase our common stock to hedge existing exposure in our common stock or to speculate on the price of our common stock. Speculation on the price of our common stock may involve long and short exposures. To the extent aggregate short exposure exceeds the number of shares of our common stock available for purchase in the open market, investors with short exposure may have to pay a premium to repurchase our common stock for delivery to lenders of our common stock. Those repurchases may in turn, dramatically increase the price of our common stock until investors with short exposure are able to purchase additional common shares to cover their short position. This is often referred to as a "short squeeze." A short squeeze could lead to volatile price movements in our common stock that are not directly correlated to the performance or prospects of our Company and once investors purchase the shares of common stock necessary to cover their short position the price of our common stock may decline.

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

Unless full cumulative dividends on our preferred stock have been, or contemporaneously are, declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all past dividend periods, no dividends (other than a dividend in shares of common stock or other shares of stock ranking junior to the Series A Preferred Stock (as defined herein) as to dividends and upon liquidation) may be declared and paid or declared and set apart for payment on our common stock, nor may any shares of common stock be redeemed, purchased or otherwise acquired for any consideration by us. To the extent dividends are not paid on our preferred stock, cumulative dividends accrue as part of the liquidation value of our preferred stock, which has a liquidation value of \$10.00 per share at issuance. Dividends on our preferred stock are payable out of amounts legally available therefor at a rate equal to 10.0% per annum per \$10.00 of stated liquidation preference per share, or \$1.00 per share of our preferred stock per year. Dividends on our preferred stock are only payable in cash. As of December 31, 2023, there were 1,915,637 shares of our Series A Preferred Stock outstanding.

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

To the extent dividends are not paid on the Series A Preferred Stock in accordance with their terms, cumulative dividends will accrue as part of the liquidation value of the Series A Preferred Stock. Whenever dividends on any shares of Series A Preferred Stock are in arrears for six or more consecutive quarters, then the holders of those shares together with the holders of all other series of preferred stock equal in rank with the Series A Preferred Stock upon which like voting rights have been conferred and are exercisable, will be entitled to vote separately as a class for the election of a total of two additional directors to our board of directors. Holders of our common stock will not be entitled to vote for or against such additional directors.

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

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

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

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

The trading market for our securities will be influenced by the research and reports that industry or securities analysts publish about us or our business. We currently have two securities and industry analysts providing research coverage. In the event that any of the analysts who cover us issue an adverse or misleading opinion regarding us, our business model, our intellectual property or our stock performance, or if our operating results fail to meet the expectations of analysts, the price of our securities would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause the price or trading volume of our securities to decline.

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

Pursuant to Sections 382 and 383 of the Code, use of our NOLs may be limited by an “ownership change” as defined under Section 382 of the Code and the Treasury Regulations thereunder. In order to protect our significant NOLs, we filed an amendment to our certificate of incorporation (the “Restated Certificate of Incorporation”) (as amended and extended, the “Protective Amendment”) with the Delaware Secretary of State on May 5, 2015. The Protective Amendment was approved by our stockholders at our 2021 Annual Meeting of Stockholders held on October 21, 2021.

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

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

Our stockholder rights plan, or "poison pill," includes terms and conditions which could discourage a takeover or other transaction that stockholders may consider favorable.

On June 2, 2021, stockholders of record at the close of business on that date received a dividend of one right (a "Right") for each outstanding share of common stock. Each Right entitles the registered holder to purchase one one-thousandth of a share of our Series C Participating Preferred Stock (the "Series C Preferred Stock", and together with the Series A Preferred Stock, the "Company Preferred Stock"), at a price of \$12.00 per one-thousandth of a share of Series C Preferred Stock, subject to adjustment (the "Exercise Price"). The Rights are not exercisable until the Distribution Date referred to below. The description and terms of the Rights are set forth in the Rights Agreement, which has previously been filed as an exhibit to our public reports.

The Rights Agreement imposes a significant penalty upon any person or group that acquires 4.99% or more (but less than 50%) of our then-outstanding common stock without the prior approval of our board of directors. A person or group that acquires shares of our common stock in excess of the applicable threshold, subject to certain limited exceptions, is called 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 ten days after a public announcement by us that a person or group has become an Acquiring Person and ten business days (or a later date determined by our board of directors) after a person or group begins a tender or an exchange offer that, if completed, would result in that person or group becoming an acquiring person. On the date (if any) that the Rights become exercisable (the "Distribution Date"), each Right would allow its holder to purchase one one-thousandth of a share of Preferred Stock for a purchase price of \$12.00. In addition, if a person or group becomes an Acquiring Person after the Distribution Date or already is an Acquiring Person and acquires more shares after the Distribution Date, all holders of Rights, except the Acquiring Person, may exercise their rights to purchase a number of shares of the common stock (in lieu of preferred stock) with a market value of twice the Exercise Price, upon payment of the purchase price.

The Rights will expire on the earliest of (i) June 2, 2024, or such earlier date as of which our board of directors determines that the Rights Agreement is no longer necessary for the preservation of our tax assets, (ii) the time at which the rights are redeemed, (iii) the time at which the rights are exchanged, (iv) the effective time of the repeal of Section 382 of the Code or any successor statute if our board of directors determines that the Rights Agreement is no longer necessary for the preservation of our tax assets, and (v) the first day of our taxable year in which our board determines that no NOLs or other tax assets may be carried forward.

The Rights have certain anti-takeover effects, including potentially discouraging a takeover that stockholders may consider favorable. The Rights will cause substantial dilution to a person or group that attempts to acquire us on terms not approved by the board of directors.

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

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

We expect to be limited in our ability to utilize net operating loss carryforwards to reduce our future tax liability as a result of our January 2022 public offering.

Under Section 382 of the Code, if a corporation undergoes an “ownership change,” generally defined as a greater than 50% change (by value) in its equity ownership over a three-year period, the corporation’s ability to use its pre-change NOLs and other pre-change tax attributes (such as research tax credits) to offset its post-change income may be limited. We expect that the public offering we closed on January 24, 2022 (the “2022 Public Offering”), alone or in conjunction with other changes in our stock ownership that we cannot control, may result in an “ownership change.” We may also experience ownership changes in the future as a result of strategic transactions or partnerships, equity offerings and other shifts in our stock ownership. As a result, if we earn net taxable income, our ability to use our pre-change NOL carryforwards and other deferred tax assets to offset U.S. federal taxable income may be subject to limitations, which could potentially result in increased future tax liability to us. In addition, similar limitations may apply at the state level and there may be periods during which the use of NOL carryforwards is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 1C. CYBERSECURITY

Risk Management and Strategy

We identify and address cybersecurity threats and risks related to our business using an interdisciplinary approach that includes assessments primarily by our management, IT team and legal department. To defend against, detect and respond to cybersecurity incidents, we employ a multi-layered approach that has been integrated into our overall risk management systems and processes which includes, among other things: conducting proactive privacy and cybersecurity reviews of systems and applications, auditing applicable data policies, conducting employee training, monitoring emerging laws and regulations related to data protection and information security and continuously improving controls and implementing appropriate changes. The cybersecurity-control principles that form the basis of our cybersecurity program are informed by the National Institute of Standards and Technology Cybersecurity Framework. Our management performs an annual review of third-party service providers’ SOC reports to verify appropriate controls are in place.

In 2023, we did not identify any cybersecurity threats that have materially affected or are reasonably likely to materially affect our business strategy, results of operations, or financial condition. However, despite our ongoing efforts, we cannot eliminate all risks from cybersecurity threats, or provide assurances that we have not experienced undetected cybersecurity incidents. Please refer to the risk factor titled “We rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could materially harm our business.” in “Risk Factors” in Part I, Item 1A of this Form 10-K for more information on the risks posed to us by cybersecurity threats.

Cybersecurity Governance

Cybersecurity is an important part of our risk management processes and is an area of focus for our board of directors and management. Our board of directors, as a whole, has oversight responsibility for our strategic and operational risks, and ensures that appropriate risk mitigation strategies are implemented by management. Our audit committee assists the board of directors with this responsibility by periodically reviewing and discussing our risk assessment and risk management practices, including cybersecurity risks, with members of our management team, which is responsible for the assessment and management of cybersecurity risks.

In addition, we have retained an external consultant to serve as our internal audit function and to support our cybersecurity risk management and governance practices. Our consultant has substantial experience in cybersecurity risk management and information technology, including security, compliance, systems and programming and reports to our audit committee and our board of directors on any appropriate items.

ITEM 2. PROPERTIES

Our principal executive offices are in Old Greenwich, Connecticut, where we lease 2,006 square feet of office space.

In April 2019, our Investments division (through Star Real Estate, “SRE”) acquired three manufacturing facilities in Maine, which it then leased back to KBS in our Construction segment. These included KBS’s 84,800 square foot main production facility in South Paris, Maine and a 92,200 square foot manufacturing facility in Oxford, Maine. We sold our Waterford, Maine production facility in June 2023. See Note 5. *Supplementary Balance Sheet Information* for further details.

We utilize four additional facilities in our construction businesses, related specifically to EBGL. In October 2021, we extended two existing leases, a 10,800 square foot office/sales/showroom space in Oakdale, Minnesota and a 34,200 square foot production facility in Prescott, Wisconsin. In addition, we entered into a new lease in October 2021 for 22,800 square feet of lumberyard/warehouse space in Hudson, Wisconsin. With the BLL acquisition in late 2023, we acquired a fourth facility, a 22,300 square foot lumberyard/warehouse/showroom space in Big Lake, Minnesota. See Note 16. *Mergers and Acquisitions* for further information.

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

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information

Our common stock and preferred stock are traded on the Nasdaq Global Market under the symbols “STRR” and “STRRP”, respectively.

As of March 7, 2024 there were approximately 168 holders of record of our common stock. We believe that the number of beneficial owners is substantially greater than the number of record holders because a large portion of our common stock is held of record through brokerage firms in “street name.”

Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased During the Period	Average Price Paid Per Share for Period Presented	Total Cumulative Number of Shares Purchased as Part of Publicly Announced Plan (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plan (2)
October 1, 2023 – October 31, 2023	—	—	—	200,000
November 1, 2023 – November 30, 2023	—	—	—	200,000
December 1, 2023 – December 31, 2023	—	—	—	200,000
Total	—	—	—	200,000

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

- (2) As of December 31, 2023, there were no cumulative shares purchased as part of the 2018 Buyback Program and 200,000 shares that may yet be purchased under the 2018 Buyback Program.

Securities Authorized for Issuance Under Equity Compensation Plans

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

ITEM 6. [RESERVED]

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

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

Overview

Star Equity is a multi-industry diversified holding company with two divisions. Our operating division focuses in the Construction industry. In addition, we have an Investments division.

Our Construction division is currently made up of three operating businesses: KBS, EdgeBuilder, and Glenbrook, with the latter two managed together and referred to jointly as "EBGL". 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, primarily for multi-family residential buildings, and other engineered wood-based products. We distribute building materials from two lumberyard locations primarily focused on professional builder customers.

Our Investments division currently holds and manages our corporate-owned real estate, including two manufacturing facilities in Maine that are leased to KBS and one manufacturing facility in Minnesota that is leased to Glenbrook. The Investments division also manages internally-funded, concentrated minority investments in a number of public companies. It also holds and manages a \$7 million promissory note and a \$6 million private equity stake in TTG Parent LLC, the parent entity of TTG Imaging Solutions, LLC. We acquired these interests in May 2023 as a result of the sale of Digirad Health (see Note 3. *Discontinued Operations* for further information).

Current Market Conditions

The target customers for our Construction division include professional home builders, general contractors, project owners, developers, and design firms. Despite a higher interest rate environment, we are continuing to see significant demand for our products, although there have been some delays in execution as customers finalize project financing. We have benefited from having implemented both price increases and margin protection language in our contracts and this had a significantly positive effect on our profitability in 2023. We noted slower business activity in the second half of 2023 and related lower revenues, but 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.

Trends and Drivers

The Modular Building Institute has estimated that permanent modular construction increased as a percentage of the construction industry from 2.14% in 2015 to 6.03% as of the end of 2022. In turn, in our Construction division, we continue to see a greater acceptance of offsite or prefab construction in single-family and multi-family residential building projects in our target market. Our modular units and structural wall panels offer builders a number of benefits over traditional onsite or "stick built" construction. These include shorter time to market, higher quality, reduced waste, and potential cost savings, among others. 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.

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.

Discontinued Operations

As discussed in detail in Note 3. *Discontinued Operations*, we completed the sale of Digirad Health on May 4, 2023, for total aggregate consideration of \$40 million, comprised of \$27 million in cash, a \$7 million promissory note ("Seller Note"), and \$6 million in rollover equity in the parent entity of TTG. We deemed the disposition of Digirad Health, which was our entire Healthcare business unit, to represent a strategic shift that will have a major effect on our operations and financial results. As of the date of the accompanying consolidated financial statements, the results of operations of the Healthcare business unit represent "discontinued operations" in accordance with U.S. Generally Accepted Accounting Practices ("GAAP") (ASC 205-20-45-1B). Therefore, the assets and liabilities, as well as the earnings, of the discontinued operation are presented separately in the accompanying consolidated financial statements for all periods presented. Unless otherwise noted, discussion

within the notes to the consolidated financial statements and this Management's Discussion and Analysis of Financial Condition and Results of Operations relates to continuing operations.

Goodwill Valuation

We review goodwill for impairment on an annual basis during the fourth quarter, and when events or changes in circumstances indicate that a reduction in the carrying value may not be recoverable. We recognize an impairment charge if we determine that the carrying value of the reporting unit exceeds its fair value and such loss should not exceed the total goodwill allocated to the reporting unit. No impairment of goodwill was recorded in 2023.

We also review long-lived assets for impairment when events or changes in circumstances indicate that a reduction in the carrying value may not be recoverable. Certain factors may cause the fair value of a reporting unit to fall below its carrying amount and/or the value of long-lived assets to not be recoverable. This could lead to the measurement and recognition of long-lived asset impairment charges and may cause impairment. These factors include, but are not limited to, significant negative variances between actual and expected financial results, lowered expectations of future financial results, failure to realize anticipated synergies from acquisitions, adverse changes in the business climate, and the loss of key personnel. As of December 31, 2023, we performed qualitative trigger events analyses designed to conclude whether we were able to achieve projected performance levels and determined that it is more likely than not that long-lived assets were not impaired.

See Note 7. *Goodwill* within the notes to our accompanying consolidated financial statements for further information.

2023 Financial Highlights

2023 Revenues were \$45.8 million, representing a decrease of \$11.4 million or 19.9% versus 2022 Revenues of \$57.1 million. This decrease was driven by lower revenues at both KBS and EBGL related to slower business activity, which we believe is temporary.

2023 Gross profit was \$11.9 million, representing a decrease of \$0.4 million or 3.6% versus 2022 Gross profit of \$12.4 million. This decrease was related to lower 2023 revenues and was mitigated by our ability to sustain pricing, while benefiting from commodity and input price stability.

2023 Operating expenses were \$16.3 million, representing an increase of \$0.4 million or 2% versus 2022 total Operating expenses of \$15.9 million. The increase of \$0.4 million was driven by increased legal and outside services expenses related to the sale of Digirad Health and our Investments division-related activities.

2023 Loss from continuing operations, net of income taxes, was \$1.9 million which reflects improved results compared to 2022 Loss from continuing operations, net of tax, of \$5.8 million. The improved results were primarily driven by increased interest and other income resulting from our strong cash position and gains realized on certain purchases and sales, and the bargain purchase gain we recognized resulting from the October 2023 acquisition of BLL of approximately \$1.2 million (see Note 16. *Mergers and Acquisitions* for further information). These results were partially offset by a decrease in gross profit of \$0.5 million from our operating segments and higher overall Operating expenses of \$0.4 million.

Use of EBITDA (Non-GAAP measure)

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

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

\$ in thousands	Year Ended December 31,	
	2023	2022
Net income (loss)	\$ 25,132	\$ (5,252)
Adjustment for income (loss) from discontinued operations, net of income taxes	27,039	575
Loss from continuing operations	(1,907)	(5,827)
Adjustments to loss from continuing operations		
Depreciation and amortization	2,327	2,273
Interest expense, net	(974)	564
Provision for income taxes	(614)	383
Total adjustments from income (loss) from continuing operations to EBITDA	739	3,220
EBITDA from continuing operations	\$ (1,168)	\$ (2,607)

Results of Operations

Comparison of Years Ended December 31, 2023 and 2022

The following table sets forth our results from operations for the years ended December 31, 2023 and 2022 (in thousands):

	Year ended December 31,				Change from Prior Year	
	2023	% of Revenues	2022	% of Revenues *	Dollars	Percent
Total revenues	\$ 45,785	100.0 %	\$ 57,149	100.0 %	\$ (11,364)	(19.9)%
Total cost of revenues	33,859	74.0 %	44,779	78.4 %	(10,920)	(24.4)%
Gross profit	11,926	26.0 %	12,370	21.6 %	(444)	(3.6)%
Operating expenses:						
Selling, general and administrative	14,538	31.8 %	14,195	24.8 %	343	2.4 %
Amortization of intangible assets	1,734	3.8 %	1,719	3.0 %	15	0.9 %
Total operating expenses	16,272	35.5 %	15,914	27.8 %	358	2.2 %
Net income (loss) from continuing operations	(4,346)	(9.5)%	(3,544)	(6.2)%	(802)	22.6 %
Other (expenses) income	852	1.9 %	(1,336)	(2.3)%	2,188	(163.8)%
Interest expense, net	973	2.1 %	(564)	(1.0)%	1,537	(272.5)%
Total other income (loss)	1,825	4.0 %	(1,900)	(3.3)%	3,725	(196.1)%
Income (loss) from continuing operations before income taxes	(2,521)	(5.5)%	(5,444)	(9.5)%	2,923	(53.7)%
Income tax benefit (provision)	614	1.3 %	(383)	(0.7)%	997	(260.3)%
Income (loss) from continuing operations, net of income taxes	(1,907)	(4.2)%	(5,827)	(10.2)%	3,920	(67.3)%
Income (loss) from discontinued operations, net of income taxes	27,039	59.1 %	575	1.0 %	26,464	4,602.4 %
Net income (loss)	\$ 25,132	54.9 %	\$ (5,252)	(9.2)%	\$ 30,384	(578.5)%

*Percentage may not add due to rounding

Revenues

Construction

Construction revenue is summarized as follows (in thousands):

	Year Ended December 31,			
	2023	2022	\$ Change	% Change
Construction Revenue	\$ 45,785	\$ 57,149	\$ (11,364)	(19.9)%

Construction revenue decreased 19.9% primarily due to lower revenues at KBS and EBGL on large commercial projects. Slower business activity due to economic headwinds such as higher interest rates was a predominant driver. We believe the effect of this on our revenues is temporary as our backlog and sales pipeline remain strong despite these economic headwinds.

Gross Profit

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

	Year Ended December 31,		
	2023	2022	% Change
Construction gross profit (loss)	\$ 12,154	\$ 12,660	(4.0)%
Construction gross margin	26.5 %	22.2 %	

The decrease in Construction gross profit was due to decreases in revenue at KBS and EBGL for large commercial projects. However, we have significantly increased prices to offset higher input costs and have seen an improvement in our gross margin percentage in 2023.

Investments Gross Loss

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

	Year Ended December 31,		
	2023	2022	% Change
Investments gross profit (loss)	\$ (228)	\$ (290)	21.4 %

The gross loss relates to depreciation expense associated with the manufacturing facilities owned by the Company. As of December 31, 2023, there was a decrease in total gross loss due to a decrease in depreciation expense. In October 2023, the Company acquired a manufacturing facility as part of the BLL acquisition. In June 2023, we sold one of our manufacturing facilities.

Operating Expenses

Operating expenses are summarized as follows (in thousands):

	Year Ended December 31,				Percent of Revenues	
	2023	2022	\$ Change	% Change	2023	2022
Selling, general and administrative	\$ 14,538	\$ 14,195	\$ 343	2.4 %	31.8 %	24.8 %
Amortization of intangible assets	1,734	1,719	15	0.9 %	3.8 %	3.0 %
Total operating expenses	\$ 16,272	\$ 15,914	\$ 358	2.2 %	35.5 %	27.8 %

On a consolidated basis, total operating expenses increased by \$0.4 million. Sales, general and administrative expenses increased by \$0.3 million. This was primarily due to increased legal and outside services expenses related to the sale of Digirad Health and our Investments division-related activities. As a percentage of revenue, Sales, general and administrative expenses increased to 31.8%, versus 24.8% in the prior year period.

Other Income (Expense)

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

	Year Ended December 31,	
	2023	2022
Other income (expense)	\$ 852	\$ (1,336)
Interest income (expense), net	973	(564)
Total other income (expense)	\$ 1,825	\$ (1,900)

Other income (expense) for the years ended December 31, 2023 and 2022 improved principally due to unrealized gains from available for sale securities recorded in our Investments division, the gain on the sale of our Waterford, Maine facility and a bargain purchase gain of \$1.2 million we realized as part of the BLL purchase which is discussed in more detail in Note 16. *Mergers and Acquisitions*.

Interest income (expense), net, for the year ended December 31, 2023 improved substantially compared to 2022 due to our cash position and the Seller Note acquired as a result of the sale of Digirad Health, as well as lower average debt balances in 2023 which resulted in part from the sale of Digirad Health. See Note 5. *Supplementary Balance Sheet Information* for further information.

Income Tax (Expense) Benefit

Intraperiod allocation rules require us to allocate our provision for income taxes between continuing operations and other categories or comprehensive income (loss) such as discontinued operations. During the twelve months ended December 31, 2023 and 2022, we recorded a tax provision of \$614 thousand and \$383 thousand, respectively. For the years ended December 31, 2023 and 2022, we recorded a tax expense of \$693 thousand and a tax benefit of \$209 thousand, respectively, for discontinued operations.

See Note 12. *Income Taxes*, within the notes to our accompanying consolidated financial statements for further information.

Net income (loss) from Discontinued Operations

As described in Note 3. *Discontinued Operations*, within the notes to our accompanying consolidated financial statements, the results of our Healthcare reportable segment have been reported as discontinued operations for all periods presented.

Liquidity and Capital Resources

Overview

Cash Flows from Operating Activities

For the year ended December 31, 2023, net cash provided by operating activities, including cash provided by discontinued operations, was \$2.7 million, as compared to \$3.9 million used in 2022. The improvement in cash flow from operating activities is attributable to higher margins and strong collections at our Construction Division.

Cash Flows from Investing Activities

For the year ended December 31, 2023, net cash provided by investing activities, including cash provided by discontinued operations, was \$16.2 million, as compared to net cash used in investing activities of \$5.1 million in 2022. 2023 cash provided by investing activities principally consists of cash received from the sale of our Healthcare division after paying down related debt of \$19.7 million and proceeds from the sale of property and equipment (primarily our Waterford property) of \$1.2 million. This was partially offset by cash paid for the acquisition of BLL of \$2.8 million and cash paid for investments of \$1.5 million as we continued to expand our investments portfolio. The 2022 investing activities were primarily attributable to purchases of equity securities as we expanded our investments portfolio and net fixed asset purchases.

Cash Flows from Financing Activities

For the year ended December 31, 2023, net cash used in financing activities, including cash provided by discontinued operations, was \$3.1 million, as compared to net cash provided by financing activities of \$8.9 million in 2022. The 2023 cash flow from financing activities reflected paydowns of all existing debt at the time of the sale of our Healthcare division. The 2022 cash provided by financing activities was principally due to net proceeds of \$12.7 million raised through our 2022 Public Offering.

Summary of Cash Flows

The following table shows cash flow information for the years ended December 31, 2023 and 2022 (in thousands):

	Year Ended December 31,			
	2023		2022	
Net cash provided by (used in) operating activities	\$	2,698	\$	(3,857)
Net cash provided by (used in) investing activities	\$	16,182	\$	(5,093)
Net cash provided by (used in) financing activities	\$	(3,072)	\$	8,941

Sources of Liquidity

Our principal sources of liquidity are our existing cash and cash equivalents and cash generated from operations. As of December 31, 2023, we had \$18.3 million of cash and cash equivalents. In connection with the sale of our Healthcare business on May 4, 2023, we paid off the credit facility pursuant to the Webster Loan Agreement (as defined below) using some of the proceeds from that sale. We also paid off and closed all credit facilities with eCapital during the second quarter of 2023. As discussed in Note 8. *Debt*, we have approximately \$2.0 million in debt at our EBGL business as of December 31, 2023.

Common Stock Offerings

On May 28, 2020, we closed an underwritten public offering (the “2020 Public Offering”) pursuant to an underwriting agreement with Maxim Group LLC, as representative of the underwriters. The 2020 Public Offering was for 2,225,000 shares of our common stock, and 2,225,000 warrants (the “Warrants”) to purchase up to 1,112,500 additional shares of our common stock. The 2020 Public Offering price was \$2.24 per share of common stock and \$0.01 per accompanying Warrant (for a combined offering price of \$2.25). Gross proceeds, before deducting underwriting discounts and offering expenses and excluding any proceeds we may receive upon exercise of the common warrants, were \$5.0 million and net proceeds were \$5.2 million.

On January 24, 2022, we closed the 2022 Public Offering. The 2022 Public Offering was for 9,500,000 shares of common stock (or pre-funded warrants to purchase shares of common stock in lieu thereof) and warrants to purchase up to 9,500,000 shares of common stock (the “common warrants”). Each share of common stock (or pre-funded warrant in lieu thereof) was sold, together with one common warrant to purchase one share of common stock, at a combined price of \$1.50 per share and common warrant. Additionally, Company issued to Maxim 237,500 common stock purchase warrants (the “Underwriter’s Warrants”) to purchase up to 237,500 shares of Common Stock at an exercise price of \$1.65 per common warrant. Gross proceeds, before deducting underwriting discounts and offering expenses and excluding any proceeds we may receive upon exercise of the common warrants, were \$14.3 million and net proceeds were \$12.7 million.

As of December 31, 2023, of the warrants issued through the 2020 Public Offering, 1.0 million warrants had been exercised and 1.4 million warrants remained outstanding, which represents 0.7 million shares of common stock equivalents, at an exercise price of \$2.25. As of December 31, 2023, of the Warrants issued through the 2022 Public Offering, 0.3 million prefunded warrants had been exercised and 10.9 million warrants remained outstanding at an exercise price of \$1.50. The Underwriter’s Warrants have not been exercised.

Credit Facilities

Premier Facility

On August 16, 2023, EdgeBuilder and Glenbrook (the “EBGL Borrowers”) entered into a Revolving Credit Loan Agreement with Premier Bank (“Premier”) providing the EBGL Borrowers with a working capital line of credit of up to \$4 million, which agreement was subsequently replaced and increased to \$6 million on December 5, 2023 (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 0.75% (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 expires 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 EBGL Borrowers’ obligations under the Premier Loan Agreement are guaranteed by the Company and secured by all of their inventory, equipment, accounts and other intangibles. As of December 31, 2023, availability under the Premier Loan Agreement was approximately \$3 million.

Financial covenants associated with the Premier Loan Agreement require that the EBGL Borrowers maintain (a) a debt service coverage ratio for any calendar year of less than 1.25; (b) a debt-to-equity ratio at the end of each calendar year in excess of 1.65; (c) a fixed charge coverage ratio at the end of each calendar year of less 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, 2023, the EBGL Borrowers were not in compliance with the Premier Loan Agreement covenants. The EBGL Borrowers have obtained a waiver from Premier for the annual covenant breach.

Webster Credit Facility

On March 29, 2019, the Company entered into a Loan and Security Agreement (the “Webster Loan Agreement”) by and among certain subsidiaries of the Company, as borrowers; the Company, as guarantor; and Sterling National Bank (“Sterling”). On February 1, 2022, Sterling became part of Webster Bank, N.A. (“Webster”), and Webster became the successor in interest to the Webster Loan Agreement. The Webster Loan Agreement was also subject to a limited guarantee by Mr. Eberwein, the Executive Chairman of our board of directors.

The Webster Loan Agreement was a five-year credit facility maturing in March 2024, with a maximum credit amount of \$20.0 million for revolving loans (the “Webster Credit Facility”). In connection with the sale of our Healthcare business on May 4, 2023, we paid all amounts due and closed the Webster Credit Facility.

eCapital Credit Facilities

The EBGL Borrowers were parties to a Loan and Security Agreement with eCapital Asset Based Lending Corp. (“eCapital”), providing for a \$4.0 million credit facility with a maturity date of June 2023 and an auto-renewal of one year thereafter. KBS was a party to a Loan and Security Agreement with eCapital, providing up to \$4.0 million in working capital which was scheduled to mature in June 2023 and renew automatically for a period of one year moving forward. During the second quarter of 2023, we closed these two credit facilities and have no remaining debt balance with eCapital.

eCapital Term Loan

We and certain of our Investments subsidiaries were party to a Loan and Security Agreement with eCapital, as successor in interest to Gerber Finance, Inc. (as amended, the “Star Loan Agreement”), which provided for a credit facility with borrowing availability of up to \$2.5 million, bearing interest at the prime rate plus 3.5% per annum, and maturing on January 31, 2025, unless terminated in accordance with the terms therein. During the second quarter of 2023, we paid in full all amounts related to the Star Loan Agreement and have no remaining debt balance with eCapital.

Off-Balance Sheet Arrangements

As of December 31, 2023, there were no off balance sheet arrangements.

Critical Accounting Policies

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

Revenue Recognition

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

Revenue recognition is evaluated on a contract basis. Performance obligations are satisfied over time as work progresses or at a point in time. From time-to-time we enter into contracts within our construction 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, 2023 or December 31, 2022 that require recognition over time.

Business Combination Accounting

The Company accounts for business combinations using the acquisition method of accounting, and records the identifiable assets and liabilities of the acquired business at their acquisition date fair values under ASC 805, *Business Combinations*. The excess of the purchase price over the estimated fair value of the net assets acquired is recorded as goodwill, and, conversely, any excess of the estimated fair values of the net assets acquired over the purchase price is recorded as a bargain purchase gain. Any changes in the estimated acquisition date fair values of the net assets recorded prior to the finalization of a more detailed analysis, but not to exceed one year from the date of acquisition, could change the amount of the purchase price allocated to goodwill or bargain purchase gain. Amounts allocated to goodwill would be recorded in the Consolidated Balance Sheets and bargain purchase gains would be recorded on the Consolidated Statement of Operations. Any subsequent changes to any purchase price allocations that are material to the Company's Consolidated Financial Statements will be adjusted retrospectively. All acquisition related costs are expensed as incurred.

The results of operations of the acquired companies are recorded in the Consolidated Statements of Operations from the date of acquisition. The application of business combination principles, including the determination of the fair value of the net assets acquired, requires the use of significant estimates and assumptions.

Goodwill Valuation

We review goodwill for impairment on an annual basis during the fourth quarter, and when events or changes in circumstances indicate that a reporting unit's carrying value may be impaired. We initially assess qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. Upon review of the results of such assessment, we may begin performing impairment analysis by quantitatively comparing the fair value of the reporting unit to the carrying value of the reporting unit, including goodwill. An impairment charge for goodwill is recognized for the amount by which the carrying value of the reporting unit exceeds its fair value and such loss should not exceed the total goodwill allocated to the reporting unit.

There are numerous factors that may cause the fair value of a reporting unit to fall below its carrying amount and/or that may cause the value of long-lived assets to not be recoverable, which could lead to the measurement and recognition of goodwill and/or long-lived asset impairment charges. These factors include, but are not limited to, significant negative variances between actual and expected financial results, lowered expectations of future financial results, failure to realize anticipated synergies from acquisitions, adverse changes in the business climate, and the loss of key personnel. As of December 31, 2023, we performed a qualitative assessment and did not identify any triggering events that would lead to the performance of a quantitative analysis. See Note 7. *Goodwill*, within the notes to our accompanying consolidated financial statements, for further information.

Income Taxes

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

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

New Accounting Pronouncements

See Note 2. *Basis of Presentation and Significant Accounting Policies*, within the notes to our accompanying consolidated financial statements for discussion of our discussion of new accounting pronouncements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Debt obligations under the Premier Loan Agreement are subject to variable rates of interest based on the U.S. Prime Rate. A 100 basis point increase in the underlying interest rate would result in an additional annual interest expense of approximately \$20 thousand, assuming related line of credit of \$2 million, which is the amount of outstanding borrowings at December 31, 2023.

ITEM 8.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
STAR EQUITY HOLDINGS, INC.
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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, 2023 and 2022, the related Consolidated Statements of Operations, 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, 2023, and 2022, 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 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.

Business Combination Accounting

As discussed in Note 16 to the financial statements, the Company completed an acquisition of Big Lake Lumber Inc. during 2023. The Company accounted for this acquisition as a business combination, which resulted in the recognition of a bargain purchase gain.

Auditing the accounting for the acquisition was complex due to the significant estimation uncertainty in determining the fair values of identified assets, including the customer relationship intangible asset of \$900 thousand and the fair value of contingent consideration of \$169 thousand.

The significant estimation uncertainty was primarily due to the sensitivity of the respective fair values to underlying assumptions about future performance of the acquired business and due to the limited historical data on which to base these assumptions. The significant assumptions used to form the basis of the forecasted results included forecasted revenues and expenditures and customer attrition rates. These significant assumptions were forward-looking and could be affected by future economic and market conditions.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. These procedures included, among others (i) obtaining an understanding of management's process for accounting for the transaction; (ii) evaluating the qualifications of the third-party expert engaged by management; (iii) testing management's, and the third-party expert's, process for developing the valuation models; and (iv) evaluating the significant assumptions used in developing the valuation models. In evaluating management's assumptions used in the

development of the valuation models we considered (i) whether these assumptions were consistent with evidence obtained in other areas of the audit and (ii) the sensitivity to change of the assumptions used.

We have served as the Company’s auditor since 2022.

/s/ Wolf & Company, P.C.

Boston, Massachusetts
March 22, 2024

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

	Year ended December 31,	
	2023	2022
Revenues:		
Construction	\$ 45,785	\$ 57,149
Investments	—	—
Total revenues	45,785	57,149
Cost of revenues:		
Construction	33,631	44,489
Investments	228	290
Total cost of revenues	33,859	44,779
Gross profit	11,926	12,370
Operating expenses:		
Selling, general and administrative	14,538	14,195
Amortization of intangible assets	1,734	1,719
Total operating expenses	16,272	15,914
Net income (loss) from continuing operations	(4,346)	(3,544)
Other income (expense):		
Other income (expense), net	852	(1,336)
Interest income (expense), net	973	(564)
Total other income (expense), net	1,825	(1,900)
Income (loss) from continuing operations before income taxes	(2,521)	(5,444)
Income tax benefit (provision)	614	(383)
Income (loss) from continuing operations, net of tax	(1,907)	(5,827)
Income (loss) from discontinued operations, net of tax	27,039	575
Net income (loss)	25,132	(5,252)
Dividend on Series A perpetual preferred stock	(1,916)	(1,916)
Net income (loss) attributable to common stockholders	\$ 23,216	\$ (7,168)
Net income (loss) per share		
Net income (loss) per share, continuing operations		
Basic*	\$ (0.12)	\$ (0.40)
Diluted	\$ (0.12)	\$ (0.39)
Net income (loss) per share, discontinued operations		
Basic*	\$ 1.73	\$ 0.04
Diluted	\$ 1.71	\$ 0.04
Net income (loss) per share		
Basic*	\$ 1.61	\$ (0.36)
Diluted*	\$ 1.59	\$ (0.35)
Net income (loss) per share, attributable to common shareholders		
Basic*	\$ 1.48	\$ (0.49)
Diluted*	\$ 1.47	\$ (0.48)
Weighted-average common shares outstanding		
Basic*	15,638	14,751
Diluted*	15,775	14,829
Dividends declared per share of Series A perpetual preferred stock	\$ 1.00	\$ 1.00

*Earnings per share may not add due to rounding

See accompanying notes to consolidated financial statements.

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

	December 31,	
	2023	2022
Assets:		
Current assets:		
Cash and cash equivalents	\$ 18,326	\$ 4,377
Restricted cash	620	142
Investments in equity securities	4,838	3,490
Lumber derivative contracts	19	—
Accounts receivable, net of allowances of \$191 and \$270, respectively	6,004	7,975
Note receivable, current portion	399	73
Inventories, net	3,420	4,678
Other current assets	1,180	682
Current assets – discontinued operations	—	17,851
Total current assets	34,806	39,268
Property and equipment, net	7,828	5,665
Operating lease right-of-use assets, net	1,470	1,856
Intangible assets, net	12,518	13,352
Goodwill	4,438	4,438
Deferred tax assets	—	—
Cost method investment	6,000	—
Notes receivable	8,427	1,285
Other assets	9	—
Non-current assets – discontinued operations	—	7,438
Total assets	\$ 75,496	\$ 73,302
Liabilities and Stockholders' Equity:		
Current liabilities:		
Accounts payable	\$ 1,571	\$ 1,447
Accrued liabilities	1,506	462
Accrued compensation	1,772	1,838
Accrued warranty	44	38
Lumber derivative contracts	—	104
Deferred revenue	1,377	1,673
Short-term debt	2,019	3,383
Operating lease liabilities	403	372
Finance lease liabilities	42	82
Current liabilities - discontinued operations	—	18,146
Total current liabilities	8,734	27,545
Deferred tax liabilities	318	470
Operating lease liabilities, net of current portion	1,102	1,510
Finance lease liabilities, net of current portion	43	96
Non-current liabilities - discontinued operations	—	1,926
Total liabilities	10,197	31,547
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, \$0.0001 par value: 10,000,000 shares authorized: Series A Preferred Stock, 8,000,000 shares authorized, liquidation preference (10.00 per share), 1,915,637 shares issued and outstanding at 2023 and 2022. (Liquidation preference: \$18,988,390 as of December 31, 2023 and 2022.)	18,988	18,988

Preferred stock, \$0.0001 par value: 25,000 shares authorized; Series C Preferred stock, no shares issued or outstanding	—	—
Common stock, \$0.0001 par value: 50,000,000 and 50,000,000 shares authorized; 15,826,217 and 15,177,919 shares issued and outstanding (net of treasury shares) at December 31, 2023 and 2022, respectively	2	1
Treasury stock, at cost; 258,849 shares at December 31, 2023 and 2022, respectively	(5,728)	(5,728)
Additional paid-in capital	160,126	161,715
Accumulated deficit	(108,089)	(133,221)
Total stockholders' equity	65,299	41,755
Total liabilities and stockholders' equity	<u>\$ 75,496</u>	<u>\$ 73,302</u>

See accompanying notes to consolidated financial statements.

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

	Year ended December 31,	
	2023	2022
Operating activities		
Net income (loss)	\$ 25,132	\$ (5,252)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation of property and equipment	925	1,815
Amortization of intangible assets	1,734	1,720
Non-cash lease expense	670	1,218
Provision for bad debt, net	162	557
Stock-based compensation	340	438
Non-cash interest expense	45	135
Gain on disposal of discontinued operations	(26,680)	—
Bargain purchase gain on acquisition	(1,170)	—
(Gain) Loss on sale of assets	(503)	(398)
Deferred income taxes	(613)	103
Unrealized (gain) loss on equity securities and lumber derivatives	(208)	1,661
Changes in operating assets and liabilities:		
Accounts receivable	3,737	(2,659)
Inventories	1,015	(2,102)
Other assets	43	(506)
Accounts payable	1,118	(844)
Accrued compensation	(646)	651
Deferred revenue and billings in excess of costs and estimated profit	(567)	614
Operating lease liabilities	(490)	(1,197)
Other liabilities	(1,346)	189
Net cash provided (used) by operating activities	2,698	(3,857)
Investing activities		
Purchases of property and equipment	(698)	(1,189)
Proceeds from sale of discontinued operations	19,681	—
Proceeds from sale of property and equipment	1,233	432
Purchases of equity securities	(1,517)	(4,363)
Proceeds from sales of equity securities	253	27
Cash paid for business acquisition	(2,770)	—
Net cash provided (used) by investing activities	16,182	(5,093)
Financing activities		
Proceeds from borrowings	41,153	105,869
Repayment of debt	(42,105)	(107,155)
Proceeds from exercise of warrants	4	—
Fees paid on issuance of common stock	—	(450)
Proceeds from the sale of common stock, warrants, and exercise of over allotment options	1	13,198
Taxes paid related to net share settlement of equity awards	(16)	(5)
Repayment of obligations under finance leases	(193)	(600)
Preferred stock dividends paid	(1,916)	(1,916)
Net cash provided (used) by financing activities	(3,072)	8,941
Net change in cash, cash equivalents, and restricted cash including cash classified within current assets-discontinued operations	15,808	(9)
Less: Net (decrease) increase in cash classified within current assets-discontinued operations	1,381	(600)
Net change in cash, cash equivalents, and restricted cash	14,427	591
Cash, cash equivalents, and restricted cash at beginning of year	4,519	3,928
Cash, cash equivalents, and restricted cash at end of year	\$ 18,946	\$ 4,519
Reconciliation of cash, cash equivalents, and restricted cash at end of year		

Cash and cash equivalents	\$	18,326	\$	4,377
Restricted cash		620		142
Cash, cash equivalents, and restricted cash at end of period	\$	18,946	\$	4,519
Supplemental Information				
Cash paid during the year for interest	\$	261	\$	689
Cash paid during the year for income taxes	\$	651	\$	432
Non-Cash Investing Activities				
Noncash note receivable		7,000		487
Noncash investment in private company		6,000		—
Non-Cash Financing Activities				
Noncash property, plant, and equipment obtained in exchange for finance lease liabilities		—		90
Noncash right-of-use assets obtained in exchange for operating lease liabilities		—		1,492

See accompanying notes to consolidated financial statements.

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

	Perpetual Redeemable Preferred Stock		Perpetual Preferred Stock		Common stock		Treasury Stock	Additional paid-in capital	Accumulated deficit	Total stockholders' equity
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2021	1,916	\$ 18,988	—	\$ —	5,805	\$ —	\$ (5,728)	\$ 150,451	\$ (127,969)	\$ 16,754
Stock-based compensation	—	—	—	—	—	—	—	438	—	438
Shares issued under stock incentive plans, net of shares withheld for employee taxes	—	—	—	—	198	—	—	(5)	—	(5)
Equity issuance costs	—	—	—	—	—	—	—	(450)	—	(450)
Dividends to holders of preferred stock (\$0.25 per share)	—	479	—	—	—	—	—	(1,916)	—	(1,916)
Preferred stock dividends paid	—	(479)	—	—	—	—	—	—	—	—
Proceeds from the sale of common stock, warrants, and exercise of over allotment options	—	—	—	—	9,175	1	—	13,197	—	13,198
Reclassification of preferred stock to permanent equity (See Note 2)	(1,916)	(18,988)	1,916	18,988	—	—	—	—	—	18,988
Net income (loss)	—	—	—	—	—	—	—	—	(5,252)	(5,252)
Balance at December 31, 2022	—	\$ —	1,916	\$ 18,988	15,178	\$ 1	(5,728)	\$ 161,715	\$ (133,221)	\$ 41,755
Stock-based compensation	—	—	—	—	—	—	—	340	—	340
Shares issued under stock incentive plans, net of shares withheld for employee taxes	—	—	—	—	323	0.5	—	(16)	—	(16)
Dividends to holders of preferred stock (\$0.25 per share)	—	—	—	—	—	—	—	(1,916)	—	(1,916)
Proceeds from the sale of common stock, warrants, and exercise of over allotment options	—	—	—	—	325	0.5	—	3	—	4
Net income (loss)	—	—	—	—	—	—	—	—	25,132	25,132
Balance at December 31, 2023	—	\$ —	1,916	\$ 18,988	15,826	\$ 2	(5,728)	\$ 160,126	\$ (108,089)	\$ 65,299

See accompanying notes to consolidated financial statements.

STAR EQUITY HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. The Company

Star Equity Holdings, Inc. (“Star Equity”, or the “Company”) is a diversified holding company with two divisions: Construction and Investments. We previously had a Healthcare division which was sold on May 4, 2023, as further described in Note 3. *Discontinued Operations*. Unless the context requires otherwise, in this report the terms “we,” “us,” and, “our” refer to Star Equity and our wholly owned subsidiaries.

Construction

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

EBGL expanded its market share of the Greater Minneapolis area via the acquisition of all of the assets of Big Lake Lumber Inc. (“BLL”) in October 2023. BLL’s operations were integrated into and became part of Glenbrook’s operations. See Note 16. *Mergers and Acquisitions* for further information.

Investments

Investments generates intercompany revenue from the lease of commercial properties and equipment through Star Real Estate Holdings. Our Investments division is an internally-focused unit. This entity was established to hold our corporate-owned real estate, which currently includes our manufacturing facilities that are leased to KBS and EBGL, as well as any minority investments we make in public and private companies. Star Equity Fund GP, LLC (“Star Equity Fund”), Star Investment Management, LLC (“Star Investment”), Star Equity Investment Holdings Inc. (“SEI”), Star Real Estate Holdings USA, Inc. (“SRE”), and the subsidiaries of SRE that are included in this division are referred to collectively herein as the “Investments Subsidiaries.”

Note 2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The consolidated financial statements are prepared in conformity with generally accepted accounting principles (“GAAP”) in the United States of America and include our wholly owned subsidiaries financial statements. All intercompany accounts and transactions have been eliminated. The divestiture of our former Healthcare division is separately presented as discontinued operations in the Consolidated Statement of Operations for the years ended December 31, 2023 and December 31, 2022. Refer to Note 3. *Discontinued Operations* for additional information.

Mezzanine Equity

Pursuant to the Certificate of Designations, Rights and Preferences of 10% Series A Cumulative Perpetual Preferred Stock (the “Series A Preferred Stock”) of Star Equity (the “Certificate of Designations”), upon a Change of Control Triggering Event, as defined in the Certificate of Designations, holders of the Series A Preferred Stock had the ability to require the Company to redeem the Series A Preferred Stock at a price of \$10.00 per share, plus any accumulated and unpaid dividends. As this redemption feature of the shares was not solely within the control of the Company, the Series A Preferred Stock did not qualify as permanent equity and was classified as mezzanine or temporary equity.

On June 2, 2022, the Certificate of Designations was amended to include a “Special Optional Redemption Right” at the Company’s discretion and to extinguish the option of preferred stockholders to redeem preferred shares upon a Change of Control Triggering Event, as defined in the Certificate of Designations, as amended. As the redemption features of the Series A Preferred Stock are now solely within the control of the Company, the Series A Preferred Stock qualifies as permanent equity and has been reclassified to permanent equity effective June 2, 2022.

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

Refer to preferred stock dividends discussed in Note 17. *Perpetual Preferred Stock*.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. Generally Accepted Accounting Practices (“GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and disclosures made in the accompanying notes to the consolidated financial statements. Significant estimates and judgments include those related to revenue recognition, goodwill valuation, business combination accounting, and income taxes. Actual results could materially differ from those estimates.

Revenue Recognition

We recognize revenue in accordance with Accounting Standards Codification (“ASC”) Topic 606 and, specific to our discontinued Healthcare Operations, Topic 842, as further explained below.

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

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

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.

Construction Revenue Recognition. Within the Construction division, we service residential and commercial construction projects by manufacturing modular housing units and other products and supplying general contractors with building materials. KBS manufactures modular buildings for both single-family residential homes and larger, commercial building projects. EdgeBuilder manufactures structural wall panels, permanent wood foundation systems and other engineered wood products, and Glenbrook is a retail supplier of lumber and other building supplies. Retail sales at Glenbrook are recognized at the point of sale. For bill and hold sales, we determine when the customer obtains control of the product on a case-by-case basis to determine the amount of revenue to recognize each period. Revenue is generally recognized at point in time upon delivery of product or over time by measuring progress towards completion.

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 is no liability associated with billings in excess of costs at December 31, 2023 or December 31, 2022.

Healthcare Revenue Recognition. We generated Healthcare service revenue and product and product-related sales revenue primarily from providing diagnostic services to our customers and from the sale of gamma cameras, accessories, and radiopharmaceuticals doses. Service revenues within our former Healthcare reportable segment, which is now recorded as part of discontinued operations, and, in 2023 covers the period through the date of sale of our Healthcare division as discussed in Note 2. *Discontinued Operations*, was derived from providing our customers with contract diagnostic services, which included use of our imaging systems, qualified personnel, radiopharmaceuticals, licensing, logistics and related items required to perform testing in their own offices. We billed customers either on a per-scan or fixed-payment methodology, depending upon the contract negotiated with the customer. We also rented cameras to customers for use in their healthcare operations. Rental revenues were structured as either a weekly or monthly payment arrangement, and were recognized in the month that rental assets were provided. Revenue related to provision of our services was recognized at the time services were performed. Revenue from product and product-related sales, which is recorded as part of discontinued operations, was derived primarily from the sale of gamma cameras, accessories, and radiopharmaceuticals doses.

Contract Costs. We recognize an asset for the incremental costs of obtaining a contract with a customer if we expect the benefit of those costs to be longer than one year. The Company applies a practical expedient to expense costs as incurred for costs to obtain a contract when the amortization period would have been one year or less. These costs mainly include the internal sales commissions; under the terms of these programs these are generally earned and the costs are recognized at the time the revenue is recognized. As of December 31, 2023 and 2022, 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. We have determined our contracts do not include a significant financing component.

Leases

Lessee Accounting

We determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, operating lease liabilities, and operating lease liabilities, net of current portion in our Consolidated Balance Sheets. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities in our Consolidated Balance Sheets.

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

We elected to not separate lease and non-lease components of our operating leases. Additionally, the Company elected not to recognize ROU assets and leases liabilities that arise from short-term leases of twelve months or less.

Lessor Accounting

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

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

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

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

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

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

Concentration of Credit Risk

Financial instruments, which potentially subject us to concentrations of credit risk, consist primarily of cash and cash equivalents and accounts receivable. We limit our exposure to credit loss by generally placing cash in high credit quality financial institutions. Cash balances are maintained primarily at major financial institutions in the United States and a portion of which exceed the regulatory limit of \$250,000 insured by the Federal Deposit Insurance Corporation ("FDIC"). We have not experienced any credit losses associated with our cash balances. Additionally, we have established guidelines regarding diversification of our investments and their maturities, which are designed to maintain principal and maximize liquidity. As of December 31, 2023, we have \$1.0 million of cash in excess of FDIC insured limits.

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 Consolidated Balance Sheets with the changes in fair value recognized in cost of revenue in the Consolidated Statements of Operations.

Variable Interest Entities

We determine at the inception of each arrangement whether an entity in which we have made an investment or in which we have other variable interests is considered a variable interest entity ("VIE"). We consolidate VIEs when we are the primary beneficiary. We are the primary beneficiary of a VIE when we have the power to direct activities that most significantly affect the economic performance of the VIE and have the obligation to absorb the significant losses or benefits. If we are not the primary beneficiary in a VIE, we account for the investment or other variable interests in a VIE in accordance with applicable GAAP.

Periodically, we assess whether any changes in our interest or relationship with the entity affect our determination of whether the entity is a VIE and, if so, whether we are the primary beneficiary.

Cash and Cash Equivalents

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

Equity Securities

As of December 31, 2023 and 2022, securities consist of investments in equity securities that are publicly traded. Investments that are strategic in nature, with the intent to hold the investment over a several year period, are classified as other assets (non-current). These equity securities are measured at fair value and changes in fair value are recognized in net income. During the year ended December 31, 2023, we recognized gains related to changes in fair value of \$0.2 million in the Consolidated Statements of Operations. During the year ended December 31, 2022, we recorded losses related to changes in fair value of \$1.7 million.

Cost Method Investment

As a part of the sale of Digirad Health, described further in Note 3. *Discontinued Operations*, we received common equity of TTG Parent. We have elected the measurement alternative under ASC 321. 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.

Allowance for Doubtful Accounts

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 adopted ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“CECL”), as amended, which replaces the incurred loss methodology with 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 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. The impact of adopting CECL did not have a material impact on our financial statements.

Our estimates of collectability could be impacted by material amounts due to changed circumstances, such as a higher number of defaults or material adverse changes in a payor’s ability to meet its obligations. Expected credit losses related to trade accounts receivable are recorded as an allowance for doubtful accounts within accounts receivable, net in the Consolidated Balance Sheets, and the related provision for doubtful accounts is charged to general and administrative expenses. We do not have any off-balance sheet credit exposure related to our customers.

The following table summarizes the allowance for doubtful accounts from continuing operations as of and for the years ended December 31, 2023 and 2022 (in thousands):

		Allowance for Doubtful Accounts ⁽¹⁾
Balance at December 31, 2021	\$	(477)
Provision adjustment		(432)
Write-offs and recoveries, net		639
Balance at December 31, 2022		(270)
Provision adjustment		(145)
Write-offs and recoveries, net		224
Balance at December 31, 2023	\$	(191)

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

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 inventories on-hand compared with historical and estimated future sales and usage for existing and new products and assumptions about the likelihood of obsolescence.

Long-Lived Assets including Finite Lived Purchased Intangible Assets

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

Impairment losses on long-lived assets used in operations are recorded when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. No impairment was recorded on long-lived assets to be held and used during the years ended December 31, 2023 and 2022.

Goodwill Valuation

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

Goodwill has historically been derived from the acquisition of ATRM in 2019. See Note 7. *Goodwill*, for further information.

Business Combinations

In accordance with ASC 805, *Business Combinations*, the Company allocates the purchase consideration to the identifiable assets acquired and liabilities assumed in business combinations based on their fair values as of the respective acquisition date. The excess of the purchase consideration over the amounts assigned to the identifiable assets and liabilities is recognized as goodwill, or if the fair value of the net assets acquired exceeds the purchase consideration, a bargain purchase gain is recorded within the Consolidated Statement of Operations. Factors giving rise to goodwill generally include operational synergies that are anticipated as a result of the business combination and growth expected to result in economic benefits from access to new customers and markets. The fair values of identifiable intangible assets acquired in business combinations are generally determined using an income approach, requiring financial forecasts and estimates as well as market participant assumptions.

In connection with the acquisition of BLL during the fiscal year ended December 31, 2023, the Company recorded an initial bargain purchase gain of \$1.2 million that was recorded as a component of other income on the Consolidated Statement of Operations. The bargain purchase gain amount represents the excess of the estimated fair value of the net assets and intangibles acquired over the estimated fair value of the consideration transferred. In accordance with ASC 805, we have estimated the fair value of the net assets acquired as of the acquisition date.

The incremental financial results of the BLL acquisition are included in the Company's consolidated financial results from the respective acquisition date. See Note 16. *Mergers and Acquisitions* for further information.

Restricted Cash

We maintain certain cash amounts restricted as to withdrawal or use. As of December 31, 2023 and 2022, restricted cash was \$0.6 million and \$0.1 million comprised of cash held for letters of credit for our real estate leases and certain minimum balance requirements on our banking arrangements.

Debt Issuance Costs

We incur debt issuance costs in connection with debt financings. Debt issuance costs 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, 2022, we had \$0.1 million of unamortized debt issuance costs. As of December 31, 2023 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 \$1.1 million and \$1.0 million for the years ended December 31, 2023 and 2022.

Share-Based Compensation

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

Warranties

Within our Construction division, KBS provides a limited assurance warranty on its residential homes that covers substantial defects in materials or workmanship for a period of 12 months after delivery to the owner. EBGL provides a limited warranty on the sale of its wood foundation products that covers leaks resulting from defects in workmanship for a period of twenty-five years. Estimated warranty costs are accrued in the period that the related revenue is recognized. See Note 5. *Supplementary Balance Sheet Information*, for further information.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs related to continuing operations for the years ended December 31, 2023 and 2022 were \$85 thousand and \$38 thousand, respectively.

Basic and Diluted Net income (loss) Per Share

We present net income (loss) per share attributable to common stockholders in conformity with the two-class method required for participating securities, as the warrants are considered participating securities. We have not allocated net income (loss) attributable to common stockholders to warrants because the holders of our warrants are not contractually obligated to share in our income (loss). In periods for which there is a net loss, diluted loss per common share is equal to basic loss per common share, since the effect of including any common stock equivalents would be antidilutive.

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

	Year Ended December 31,	
	2023	2022
Stock options	2	4
Stock warrants	11,865	11,100
Restricted stock units	65	119
Total	11,932	11,223

As of December 31, 2023, there were 1,370,460 warrants exercised and 12,567,040 warrants outstanding, which represents 11,864,770 shares of common stock equivalents, remained outstanding. See Note 18. *Equity Transactions*, for further information about warrants outstanding.

Income Taxes

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

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

We record uncertain tax positions on the basis of a two-step process whereby (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50% likely to be realized upon ultimate settlement with the related tax authority. We recognize interest and penalties related to unrecognized tax benefits within income tax expense, and any accrued interest and penalties would be included within the related tax liability. No such costs were recorded for the years ended December 31, 2023 and December 31, 2022.

Reclassifications

Certain items in the prior year financial statements were reclassified to conform with the current year presentation. These reclassifications primarily relate to reporting our Healthcare division as a discontinued operation and inventory.

New Accounting Standards Recently Adopted and To Be Adopted

No recently issued and adopted accounting standards had a significant impact on our consolidated financial statements.

In November 2023, the Financial Accounting Standards Board (“FASB”) issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures (“ASU 2023-07”), which requires disclosure of detailed information related to significant expenses of the entity’s reportable segments which is regularly provided to the chief operating decision maker. ASU 2023-07 is effective for annual periods beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. ASU 2023-07 requires retrospective application in the period of initial application. We will apply ASU 2023-07 for annual periods beginning on January 1, 2024, and for interim periods beginning on January 1, 2025. ASU 2023-07 affects financial statement disclosure only, and its adoption will not affect our results of operations or financial position.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (“ASU 2023-09”), which requires, among other things, greater disaggregation of information in the rate reconciliation, and income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for annual periods beginning after December 15, 2024. We will apply ASU 2023-09 on January 1, 2025. ASU 2023-09 affects financial statement disclosure only and its adoption will not affect our results of operations or financial position.

Note 3. Discontinued Operations

On May 4, 2023, we entered into a Stock Purchase and Contribution Agreement (the “Digirad Purchase Agreement”), by and among the Company, Digirad Health Inc., a Delaware corporation and wholly owned subsidiary of the Company (“Digirad Health”), TTG Imaging Solutions, LLC, a Pennsylvania limited liability company (“TTG”), and TTG’s parent, Insignia TTG Parent LLC, a Delaware limited liability company (“TTG Parent”). Pursuant to the Digirad Purchase Agreement, (i) TTG purchased 85% of the issued and outstanding shares of Digirad Health, on the terms and subject to the conditions set forth therein and (ii) the Company contributed to TTG Parent 15% of the issued and outstanding shares of stock of Digirad Health (the “Contributed Shares”) in exchange for New Units (as defined in the Digirad Purchase Agreement) of TTG Parent (the “Transaction”). The total aggregate consideration payable to the Company for the Transaction was \$40 million, comprised of \$19.7 million (\$27 million less payoff of debt to Webster Bank (see Note 8. *Debt*) and transaction costs) in cash, a \$7 million promissory note (see Note 5. *Supplemental Balance Sheet Information*), and \$6 million of New Units in TTG Parent (see Note 5. *Supplemental Balance Sheet Information*). The Company completed the sale of Digirad Health simultaneously with entering into the Digirad Purchase Agreement.

We deemed the disposition of Digirad Health, which operated our Healthcare business unit, to represent a strategic shift that will have a major effect on our operations and financial results. As of the date of these financial statements, the results of operations of the Healthcare business unit represent “discontinued operations” in accordance with GAAP (ASC 205-20-45-1B). As such, the assets and liabilities, as well as the earnings, of the discontinued operation are presented separately in the consolidated financial statements for all periods presented. Unless otherwise noted, discussion within the notes to the consolidated financial statements relates to continuing operations.

Our variable interest entity (“VIE”), for which we are not the primary beneficiary, was disposed of as part of the sale of our Healthcare division. This VIE was in a small private company that is primarily involved in research related to new heart imaging technologies.

The following table presents financial results of our Healthcare division for the twelve months ended December 31, 2023 and 2022 (in thousands). Note that we owned this division through May 4, 2023 and that the results for the twelve months ended December 31, 2023 reflect that period only:

	Twelve Months Ended December 31,	
	2023	2022
Total revenues	\$ 17,962	\$ 55,002
Total cost of revenues	12,408	41,493
Gross profit	5,554	13,509
Operating expenses:		
Selling, general and administrative	3,314	13,068
Amortization of intangible assets	—	1
(Gain) loss on disposal of discontinued operations	(26,680)	—
Total operating expenses	(23,366)	13,069
Income (loss) from discontinued operations	28,920	440
Other (expense) income, net	(1,015)	338
Interest expense, net	(173)	(411)
Income (loss) from discontinued operations before income taxes	27,732	367
Income tax benefit (provision)	(693)	208
Income (loss) from discontinued operations	\$ 27,039	\$ 575

The carrying amounts of the major classes of assets reported as “Assets - discontinued operations” consist of the following as of December 31, 2022 (in thousands):

	December 31, 2022
Cash and cash equivalents	\$ 288
Accounts receivable, net	9,782
Inventories, net	5,949
Other current assets	1,832
Property and equipment, net	2,683
Operating lease right-of-use assets, net	2,626
Goodwill	1,608
Other assets	521
	<u>\$ 25,289</u>

The carrying amounts of the major classes of liabilities reported as “Liabilities - discontinued operations” consist of the following as of December 31, 2022 (in thousands):

	December 31, 2022
Accounts payable	\$ 1,983
Other liabilities	1,867
Accrued compensation	253
Accrued liabilities	2,675
Deferred revenue	1,703
Short-term debt and current portion of long-term debt	8,299
Operating lease liabilities	1,056
Finance lease liabilities, current portion	314
Operating lease liabilities, net of current portion	1,631
Finance lease liabilities, net of current portion	291
Short-term debt and current portion of long-term debt	<u>\$ 20,072</u>

The following table presents the significant operating, investing and financing activities from discontinued operations for the twelve months ended December 31, 2023 and 2022 (in thousands):

	Twelve Months Ended December 31,	
	2023	2022
Operating activities		
Net income (loss) from discontinued operations	27,039	575
Depreciation	332	1,270
Amortization of intangible assets	—	1
Non-cash lease expense	273	852
Write-off of borrowing costs	16	40
(Gain) loss on disposal of discontinued operations	(26,680)	—
Share-based compensation	1	6
(Gain)Loss on disposal of assets	135	(415)
Provision for bad debt	17	124
Deferred income taxes	295	(317)
Accounts receivable	1,333	(1,632)
Inventory	(681)	(809)
Other assets	654	448
Accounts payable	994	882
Accrued compensation	(580)	(673)
Deferred revenue	(101)	187
Operating lease liabilities	(283)	(845)
Other liabilities	(1,730)	(334)
Net cash provided by (used in) operating activities	1,034	(640)
Net cash provided by (used in) investing activities	—	(743)
Net cash provided by (used in) financing activities	347	783
Net increase (decrease) in cash and cash equivalents and restricted cash	\$ 1,381	\$ (600)
Non-Cash Investing Activities		
Lease assets obtained in exchange for new finance lease liabilities	\$ —	\$ 90
Lease assets obtained in exchange for new operating lease liabilities	\$ —	\$ 1,492

Following is the reconciliation of purchase price to the gain recognized in income from discontinued operations for the twelve months ended December 31, 2023 (in thousands), prior to any proposed working capital adjustments:

Proceeds of the disposition, net of transaction costs and indebtedness payoff	\$ 32,682
Assets of the businesses	\$ (24,071)
Liabilities of the businesses	\$ 18,069
Pre-tax gain on the disposition	\$ 26,680

Note 4. Revenue

Disaggregation of Revenue

The following table presents our continuing revenues disaggregated by major source for the years ended December 31, 2023 and 2022 (in thousands):

	December 31, 2023	
	Construction	Total
Major Goods/Service Lines		
Construction Revenue from Contracts with Customers	\$ 45,785	\$ 45,785
Total Revenues	\$ 45,785	\$ 45,785
Timing of Revenue Recognition		
Services and goods transferred at a point in time	45,785	45,785
Total Revenues	\$ 45,785	\$ 45,785

	December 31, 2022	
	Construction	Total
Major Goods/Service Lines		
Construction revenue from Contracts with Customers	\$ 57,149	\$ 57,149
Total Revenues	\$ 57,149	\$ 57,149
Timing of Revenue Recognition		
Services and goods transferred over time	\$ 11,625	\$ 11,625
Services and goods transferred at a point in time	45,524	45,524
Total Revenues	\$ 57,149	\$ 57,149

Deferred Revenue

Changes in the deferred revenues for the year ended December 31, 2023 and 2022, is as follows (in thousands):

Balance at December 31, 2021	\$ 946
Revenue recognized that was included in balance at beginning of the year	(822)
Deferred revenue, net, related to contracts entered into during the year	1,549
Balance at December 31, 2022	1,673
Revenue recognized that was included in balance at beginning of the year	(1,604)
Deferred revenue, net, related to contracts entered into during the year	1,308
Balance at December 31, 2023	\$ 1,377

Note 5. Supplementary Balance Sheet Information

The following tables show the Consolidated Balance Sheet details as of December 31, 2023 and 2022 (in thousands):

Inventories

	December 31, 2023	December 31, 2022
Inventories:		
Raw materials	\$ 1,394	\$ 1,629
Work-in-process	410	571
Finished goods	1,616	2,478
Total inventories	3,420	4,678
Less reserve for excess and obsolete inventories	—	—
Total inventories, net	\$ 3,420	\$ 4,678

Property and Equipment, net

	December 31, 2023	December 31, 2022
Property and equipment, net:		
Land	\$ 1,353	\$ 805
Buildings and leasehold improvements	5,123	4,185
Machinery and equipment	3,511	2,509
Gross property and equipment	9,987	7,499
Accumulated depreciation	(2,159)	(1,834)
Total property and equipment, net	\$ 7,828	\$ 5,665

As of December 31, 2023, we held non-operating land and building in Oxford, Maine for investments which had a carrying value of \$0.9 million and was included within property and equipment on the Consolidated Balance Sheets. Furthermore, we sold our Waterford, Maine facility on June 30, 2023 for approximately \$1.2 million after closing costs and recognized a gain of \$0.4 million which we recorded in other income/expense.

Depreciation expense for the years ended December 31, 2023 and 2022 was \$0.6 million and \$1.8 million, respectively.

Warranty Reserves

Within our Construction division, KBS provides a limited assurance warranty on its residential homes that covers substantial defects in materials or workmanship for a period of 12 months after delivery to the owner. EBGL provides a limited warranty on the sale of its wood foundation products that covers leaks resulting from defects in workmanship for a period of twenty-five years. Estimated warranty costs are accrued in the period that the related revenue is recognized. Warranty reserves and related activity were minimal as of and for the periods ended December 31, 2023 and December 31, 2022.

Intangible Assets

	December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net
Intangible assets with finite useful lives:			
Customer relationships	\$ 14,400	\$ (5,831)	\$ 8,569
Trademarks	5,540	(1,591)	3,949
Total intangible assets, net	<u>\$ 19,940</u>	<u>\$ (7,422)</u>	<u>\$ 12,518</u>

	December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net
Intangible assets with finite useful lives:			
Customer relationships	\$ 13,500	\$ (4,466)	\$ 9,034
Trademarks	5,540	(1,222)	4,318
Total intangible assets, net	<u>\$ 19,040</u>	<u>\$ (5,688)</u>	<u>\$ 13,352</u>

Amortization expense for intangible assets, net for the years ended December 31, 2023 and 2022 was \$1.7 million.

Estimated amortization expense for intangible assets for each year 2024 through 2028 is \$1.8 million and thereafter is \$3.5 million.

Notes Receivable

Notes receivable consists of the following principal and interest balances as of December 31, 2023 and December 31, 2022 (in thousands):

	December 31, 2023	December 31, 2022
	Principal and interest	Principal and interest
TTG Note	\$ 7,459	\$ —
MDOS Note	1,192	1,358
KBS Customer Note	176	—
	<u>\$ 8,827</u>	<u>\$ 1,358</u>

As a part of the sale of Digirad Health, described further in Note 3. *Discontinued Operations*, a \$7 million promissory note (the “TTG Note”) was entered into 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 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 Digirad 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, we completed the sale of MD Office Solutions in exchange for a secured promissory note (the “MDOS Note”). The original principal amount of the MDOS Note was \$1.4 million and in December 2022 the principal was modified to \$1.5 million. The MDOS Note, the principal of which is approximately \$1.2 million at December 31, 2023, is included in “Notes receivable, current portion” and “Notes receivable” in our Consolidated Balance Sheets at December 31, 2023 for \$0.2 million and \$1.0 million, respectively. The MDOS Note requires quarterly installments of \$74 thousand 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, current portion” in the Consolidated Balance Sheets at December 31, 2023.

The balance of the Notes Receivable outstanding include any unpaid accrued interest. Interest Income recognized on Notes Receivable for the periods ended December 31, 2023 and December 31, 2022 totaled \$0.5 million and \$0.2 million, respectively. We have determined that all notes receivable are collectible in full and have established no reserves.

Cost Method Investment

As a part of the sale of Digirad Health, we received \$6 million in the common equity of TTG Parent LLC. We have elected the measurement alternative under ASC 321. 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.

Accrued Liabilities

	December 31, 2023	December 31, 2022
Accrued liabilities:		
Professional fees	\$ 108	\$ —
Sales and property taxes payable	—	326
Outside services and consulting	279	55
Earn-out Provision	169	—
Taxes Payable related to Digirad Sale	398	81
Other accrued liabilities	552	—
Total accrued liabilities	<u>\$ 1,506</u>	<u>\$ 462</u>

Note 6. Fair Value Measurements

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

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Such assets and liabilities may have values determined using pricing models, discounted cash flow methodologies, or similar techniques, and include instruments for which the determination of fair value requires significant management judgment or estimation.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment, which may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels. The following table sets forth by level within the fair value hierarchy our assets and liabilities that were recorded at fair value as of December 31, 2023 and 2022 (in thousands):

	At Fair Value as of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Assets (liabilities):				
Equity securities	\$ 4,838	\$ —	\$ —	\$ 4,838
Lumber derivative contracts	19	—	—	19
Total	<u>\$ 4,857</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,857</u>
	At Fair Value as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets (liabilities):				
Equity securities	\$ 3,490	\$ —	\$ —	\$ 3,490
Lumber derivative contracts	(104)	—	—	(104)
Total	<u>\$ 3,386</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,386</u>

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, 2023 and 2022, respectively. During the years ended December 31, 2023, and 2022, we recorded an unrealized gain of \$85 thousand and loss of \$893 thousand, respectively, in the Consolidated Statements of Operations.

We entered into lumber derivative contracts in order to protect our gross profit margins from fluctuations caused by volatility in lumber prices. For the years ended December 31, 2023 and 2022, we recorded a net realized and unrealized loss of \$53 thousand and \$1.8 million, respectively, within cost of revenues in our Consolidated Statements of Operations. As of December 31, 2023, we had a net long (buying) position of 605,000 board feet under twenty-two lumber derivatives contracts. As of December 31, 2022, we had a net long (buying) position of 550,000 board feet under five lumber derivatives contracts.

Note 7. Goodwill

Goodwill has historically been derived from the acquisition of ATRM in 2019. KBS and EBGL carry a goodwill balance of \$0.5 million and \$4.0 million, respectively.

The carrying amount of goodwill for the years ended December 31, 2023 and 2022, by reportable segment, changed as follows (in thousands):

	Construction	Total
Balance at December 31, 2022	\$ 4,438	\$ 4,438
Balance at December 31, 2023	<u>\$ 4,438</u>	<u>\$ 4,438</u>

The Company assesses qualitative and quantitative factors to determine whether goodwill is impaired. The analysis includes assessing the impact of changes in certain factors including: (1) changes in forecasted operating results and comparing actual results to projections, (2) changes in the industry or our competitive environment since the acquisition date, (3) changes in the overall economy, our market share and market interest rates since the acquisition date, (4) trends in the stock price and related market capitalization and enterprise values, (5) trends in peer companies' total enterprise value metrics, and (6) additional factors such as management turnover, changes in regulation and changes in litigation matters.

Based on the annual assessment performed as of December 31, 2023, the Company concluded it was more likely than not that the estimated fair value of our reporting units exceeded their carrying value, and therefore, determined it was not necessary to perform a quantitative goodwill impairment test.

Note 8. Debt

A summary of debt as of December 31, 2023 and 2022 is as follows (dollars in thousands):

	December 31, 2023		December 31, 2022	
	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
Revolving Credit Facility - Premier	\$ 2,019	9.25%	\$ —	—%
Revolving Credit Facility - eCapital EBGL	—	—%	2,592	10.25%
Total Short-term Revolving Credit Facilities	\$ 2,019	9.25%	\$ 2,592	10.25%
eCapital - Star Loan Principal, net	\$ —	—%	\$ 791	10.50%
Short Term Loan	\$ —	—%	\$ 791	10.50%
Total Short-term debt	\$ 2,019	9.25%	\$ 3,383	10.31%

Premier Facility

On August 16, 2023, EdgeBuilder and Glenbrook (the “EBGL Borrowers”) entered into a Revolving Credit Loan Agreement with Premier Bank (“Premier”) providing the EBGL Borrowers with a working capital line of credit of up to \$4 million, which agreement was subsequently replaced and increased to \$6 million on December 5, 2023 (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 0.75% (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 expires 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 EBGL Borrowers’ obligations under the Premier Loan Agreement are guaranteed by the Company and secured by all of their inventory, equipment, accounts and other intangibles. As of December 31, 2023, availability under the Premier Loan Agreement was approximately \$3 million.

Financial covenants associated with the Premier Loan Agreement require that the EBGL Borrowers maintain (a) a debt service coverage ratio for any calendar year of less than 1.25; (b) a debt-to-equity ratio at the end of each calendar year in excess of 1.65; (c) a fixed charge coverage ratio at the end of each calendar year of less 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, 2023, the EBGL Borrowers were not in compliance with the Premier Loan Agreement covenants. The EBGL Borrowers have obtained a waiver from Premier for the annual covenant breach.

Webster Credit Facility

On March 29, 2019, the Company entered into a Loan and Security Agreement (the “Webster Loan Agreement”) by and among certain subsidiaries of the Company, as borrowers; the Company, as guarantor; and Sterling National Bank (“Sterling”). On February 1, 2022, Sterling became part of Webster Bank, N.A. (“Webster”), and Webster became the successor in interest to the Webster Loan Agreement. In connection with the sale of our Healthcare business on May 4, 2023, the credit facility pursuant to the Webster Loan Agreement was paid in full and terminated.

eCapital Credit Facilities and Term Loan**EBGL**

The EBGL Borrowers were formerly parties to a Loan and Security Agreement providing the EBGL Borrowers with a credit facility with eCapital Asset Based Lending Corp. formerly known as Gerber Finance, Inc. (“eCapital”) for borrowings up to \$4.0 million, subject to certain borrowing base limitations (the “EBGL Loan”). KBS was also party to a revolving credit facility with eCapital which provided for borrowing up to \$4.0 million, subject to certain borrowing base limitations.

We and certain of our Investments subsidiaries were party to a Loan and Security Agreement with eCapital, as successor in interest to Gerber Finance, Inc., which provided for a credit facility with borrowing availability of up to \$2.5 million, bearing interest at the prime rate plus 3.5% per annum, and maturing on January 31, 2025, unless terminated in accordance with the terms therein (the “Star Loan”).

During the second quarter of 2023, we notified eCapital that we would not be renewing any of our outstanding eCapital positions upon expiry at June 30, 2023. Subsequently, we paid in full all amounts then outstanding under the Star Loan on May 9, 2023. We are no longer party to any credit agreements with eCapital.

Note 9. Commitments and Contingencies

In the normal course of business, we have been and will likely continue to be subject to other litigation or administrative proceedings incidental to our business, such as claims related to 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 and 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 upon currently available information and is subject to significant judgment and a variety of assumptions, as well as known and unknown uncertainties.

Note 10. Leases**Lessee**

We have operating and finance leases for corporate offices and operating locations, vehicles, and certain equipment. Our leases have remaining lease terms of 1 year to 10 years, some of which include options to extend the leases and some of which include options to terminate the leases within 1 year. Operating leases and finance leases are included separately in the Consolidated Balance Sheets.

The components of lease expense for the years ended December 31, 2023 and 2022 are as follows (in thousands):

	December 31, 2023	December 31, 2022
Operating lease cost	\$ 465	\$ 460
Finance lease cost:		
Amortization of finance lease assets	\$ 59	\$ 94
Interest on finance lease liabilities	11	17
Total finance lease cost	\$ 70	\$ 111

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

	December 31, 2023	December 31, 2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 386	\$ 367
Operating cash flows from finance leases	\$ 11	\$ 17
Financing cash flows from finance leases	\$ 98	\$ 100
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ —	\$ 666
Finance leases	\$ —	\$ 90

Supplemental balance sheet information related to leases as of December 31, 2023 and 2022 were as follows (in thousands):

	December 31, 2023	December 31, 2022
Weighted-Average Remaining Lease Term (in years)		
Operating leases	4.3	4.7
Finance leases	2.2	2.4
Weighted-Average Discount Rate		
Operating leases	5.46 %	5.61 %
Finance leases	5.86 %	5.91 %

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, 2023 were as follows (in thousands):

	Operating Leases	Finance Leases
2024	\$ 468	\$ 50
2025	477	23
2026	387	17
2027	92	1
2028	94	—
2029 and thereafter	113	—
Total future minimum lease payments	1,631	91
Less amounts representing interest	(126)	(6)
Present value of lease obligations	\$ 1,505	\$ 85

Lessor

Prior to the sale of our Healthcare division, we generated lease income in the Healthcare segment from equipment rentals to customers. Rental contracts were structured as either a weekly or monthly payment arrangement and were accounted for as operating leases. Revenues were recognized on a straight-line basis over the term of the rental. During the twelve months ended December 31, 2023 and 2022, our lease contracts were mainly month-to-month contracts.

Note 11. Share-Based Compensation

At December 31, 2023, we had two active equity incentive plans, the 2011 Inducement Stock Incentive Plan (the “2011 Plan”), and the 2018 Incentive Plan (the “2018 Plan” and together with the 2011 Plan, the “Plans”), under which stock options, restricted stock units, and other stock-based awards may be granted to employees and non-employees, including members of our board of directors. The terms of any equity instruments granted under the Plans are approved by our board of directors. Stock options typically vest over the requisite service period of one to four years and have a contractual term of seven to ten years. Restricted stock units generally vest over one to three years. Under the Plans, we are authorized to issue an aggregate of 1,450,000 shares of common stock. As of December 31, 2023, the Plans had 500,256 shares available for future issuance. The number of shares reserved for issuance under the 2018 Plan is subject to increase by (i) the number of shares of common stock that remained available for grant under the 2014 Equity Incentive Award Plan (the “2014 Plan”) as of the effective date of the 2018 Plan, plus (ii) any shares of common stock under the 2014 Plan that are forfeited, expire, or are canceled. As of December 31, 2023, the number of shares provided for issuance under the 2018 Plan due to unissued, forfeited, expired, and canceled shares under the 2014 Plan was 65,658 shares.

Stock Options

The estimated fair value of our stock options is determined using the Black-Scholes model. All stock options were granted with an exercise price equal to the fair value of the common stock on the grant date. There were no employee stock options granted during the years ended December 31, 2023 and 2022.

A summary of our stock option award activity as of and for the year ended December 31, 2023 is as follows (in thousands, except per share data):

	Number of Shares	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value
Options outstanding at December 31, 2022	2	\$ 51.20		
Options granted	—	—		
Options forfeited	—	—		
Options expired	—	\$ 51.20		
Options exercised	—	—		
Options outstanding at December 31, 2023	2	\$ 51.20	0.01	\$ —
Options exercisable at December 31, 2023	2	\$ 51.20	0.01	\$ —

At December 31, 2023, there is no unrecognized compensation cost related to unvested stock options.

Upon exercise, we issue new shares of common stock. There were no stock option exercises during the years ended December 31, 2023 and 2022, respectively.

Under the guidance for share-based payments, the fair value of our restricted stock units is based on the grant date fair value of our common stock. All restricted stock units were granted with no purchase price. Vesting of the restricted stock units is subject to service conditions, as well as the attainment of additional performance objectives for certain of the awards. The weighted-average grant date fair value of the restricted stock units was \$0.93 per share during the year ended December 31, 2023.

A summary of our restricted stock unit activity as of and for the year ended December 31, 2023 is as follows (in thousands, except per share data):

	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Non-vested restricted stock units outstanding at December 31, 2022	381	\$ 1.48
Granted	290	\$ 0.93
Forfeited	—	\$ —
Vested	(330)	\$ 1.28
Non-vested restricted stock units outstanding at December 31, 2023	341	\$ 1.21

The following table summarizes information about restricted stock units that vested during the years ended December 31, 2023 and 2022 based on service conditions (in thousands):

	Year Ended December 31,	
	2023	2022
Fair value on vesting date of vested restricted stock units	\$ 295	\$ 182

At December 31, 2023, total unrecognized compensation cost related to non-vested restricted stock units was \$0.3 million, which is expected to be recognized over a weighted-average period of 1.9 years.

Allocation of Share-Based Compensation Expense

Total share-based compensation expense related to all of our share-based units for the years ended December 31, 2023 and 2022 was allocated as follows (in thousands):

	Year Ended December 31,	
	2023	2022
Cost of revenues	\$ —	\$ 1
Selling, general and administrative	340	437
Total share-based compensation expense	\$ 340	\$ 438

Note 12. Income Taxes

Significant components of the provision for income taxes from continuing operations for the years ended December 31, 2023 and 2022 are as follows (in thousands):

	Year Ended December 31,	
	2023	2022
Current provision:		
Federal	\$ —	\$ —
State	—	—
Total current provision	—	—
Deferred provision:		
Federal	(312)	37
State	(302)	346
Total deferred (benefit) provision	(614)	383
Total income tax (benefit) provision	\$ (614)	\$ 383

Intraperiod allocation rules require us to allocate our provision for income taxes between continuing operations and other categories of comprehensive income (loss) such as discontinued operations. As described in Note 3, *Discontinued Operations*, the results of our Healthcare reportable segment have been reported as discontinued operations for 2022. As a result of the intraperiod allocation rules, for the years ended December 31, 2023 and 2022, the Company recorded a tax expense of \$693 thousand and a tax benefit of \$209 thousand, respectively, for discontinued operations.

Differences between the provision for income taxes and income taxes at the statutory federal income tax rate for continuing operations are for the years ended December 31, 2023 and 2022 as follows:

	Year Ended December 31,	
	2023	2022
Income tax expense at statutory federal rate	21.0 %	21.0 %
State income tax expense, net of federal benefit	7.3 %	6.5 %
Permanent differences and other	0.6 %	0.6 %
Revaluation of deferred taxes due to change in effective state tax rates	(10.2)%	11.3 %
Expiration of net operating loss and tax credit carryovers	— %	(5.6)%
Change in valuation allowance	6.2 %	(40.7)%
Provision for income taxes	24.9 %	(6.9)%

Our net deferred tax assets (liabilities) as of December 31, 2023 and 2022 consisted of the following (in thousands):

	December 31,	
	2023	2022
Deferred tax assets:		
Net operating loss carryforwards	\$ 10,746	\$ 15,707
Research and development and other credits	53	72
Reserves	54	369
Operating lease liabilities	277	1,214
Interest carryover	—	278
Other, net	348	1,258
Total deferred tax assets	11,478	18,898
Deferred tax liabilities:		
Fixed assets and other	(258)	(147)
Right of use assets	(272)	(1,192)
Intangibles	(2,985)	(1,889)
Total deferred tax liabilities	(3,515)	(3,228)
Valuation allowance for deferred tax assets	(8,281)	(15,846)
Net deferred tax liabilities	\$ (318)	\$ (176)

The Company recognizes federal and state deferred tax assets or liabilities based on the Company's estimate of future tax effects attributable to temporary differences and carryovers. The Company records a valuation allowance to reduce any deferred tax assets by the amount of any tax benefits that, based on available evidence and judgment, are not expected to be realized. In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. The Company considers projected future taxable income and planning strategies in making this assessment. As of December 31, 2023, as a result of a three-year cumulative loss in continuing operations and recent events, we concluded that a valuation allowance was necessary to offset substantially all of our deferred tax assets. We intend to maintain a valuation allowance until sufficient positive evidence exists to support its reversal. The Company's valuation allowance balance at December 31, 2023 is \$8.3 million, offsetting the Company's deferred tax assets. The valuation allowance decreased by \$7.6 million and increased by \$2.2 million for the years ended December 31, 2023 and 2022, respectively. The Company will continue to evaluate its deferred tax balances to determine any assets that are more likely than not to be realized.

As of December 31, 2023, we had federal and state income tax net operating loss carryforwards of \$43.2 million and \$20.9 million, respectively. Federal and certain state net operating losses of \$5.3 million and \$1.3 million, respectively, generated after 2017 carry forward without expiration. The remaining federal and state loss carryforwards will expire in 2024 through 2042 unless previously utilized. Federal and state loss carryforwards of approximately \$15.6 million and \$1.5 million expired in 2022. Pursuant to Internal Revenue Code (“Code”) Sections 382 and 383, use of our net operating loss and credit carryforwards may be limited because of a cumulative change in ownership greater than 50%. The Company experienced an ownership change under Code Section 382 in January 2022 which will restrict the Company’s ability to fully utilize its net operating losses. In addition, the net operating losses acquired in the ATRM Acquisition (as defined below) are also limited under Code Section 382. The Company analyzed these limitations when scheduling the reversal of deferred tax assets and liabilities in arriving at the necessary valuation allowance as of December 31, 2023. Future ownership changes may occur which could further limit our ability to utilize tax attributes.

The following table summarizes the activity related to our unrecognized tax benefits for the years ended December 31, 2023 and 2022 (in thousands):

	December 31,	
	2023	2022
Balance at beginning of year	\$ 2,414	\$ 2,561
Expiration of the statute of limitations for the assessment of taxes	—	(147)
Write-off of tax attributes in states in which the Company no longer files	(2,120)	—
Balance at end of year	<u>\$ 294</u>	<u>\$ 2,414</u>

Included in the unrecognized tax benefits of \$0.3 million at December 31, 2023 was \$0.3 million of tax benefits that, if recognized, would reduce our annual effective tax rate, subject to the valuation allowance. The Company does not expect our unrecognized tax benefits to change significantly over the next 12 months.

We file income tax returns in the U.S. and in various state jurisdictions with varying statutes of limitations. We are no longer subject to income tax examination by tax authorities for years prior to 2019; however, our net operating loss carryforwards and research credit carryforwards arising prior to that year are subject to adjustment. Our policy is to recognize interest expense and penalties related to income tax matters as a component of income tax expense. The accrued interest as of December 31, 2023 and 2022, and interest and penalties recognized during the years ended December 31, 2023 and 2022 were of insignificant amounts.

Note 13. Employee Retirement Plan

Employees have a 401(k) retirement plan under which employees may contribute up to 100% of their annual salary, within IRS limits. Our contributions to the retirement plans totaled \$0.1 million and \$0.1 million for the years ended December 31, 2023 and 2022, respectively.

Note 14. Related Party Transaction

Star Equity Holdings, Inc.

As of December 31, 2023, our Executive Chairman, Jeffrey E. Eberwein, owned 4,062,485 shares of Common Stock, representing approximately 25.67% of our outstanding Common Stock. In addition, as of December 31, 2023, Mr. Eberwein owned 1,182,414 shares of Series A Preferred Stock.

Note 15. Segments

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 CODM, to evaluate segment performance; the availability of separate financial information; and overall materiality considerations. Under the prior period Holdco strategy, we organized our reportable segments into three reportable segments: Healthcare, Construction and Investments. Effective with the sale of our Healthcare business on May 4, 2023, we reorganized our segments into two reportable segments to reflect the manner in which our CODM assesses performance and allocates resources:

1. Construction
2. Investments

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

Investments. Our Investments division is an internally-funded unit. This unit holds our corporate-owned real estate, which currently includes our two manufacturing facilities in Maine that we lease back to KBS and our manufacturing facility in Minnesota that we lease back to Glenbrook. In addition, it holds several minority equity investments in other small public companies. It also holds and manages a \$7 million promissory note and a \$6 million private equity stake in TTG Parent, the parent entity of TTG. We acquired these positions as a result of the sale of Digirad Health (discussed in Note 3. *Discontinued Operations*).

Our reporting segments have been determined based on the nature of the products and services offered to customers or the nature of their function in the organization. We evaluate performance based on the gross profit and operating income (loss). 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 years ended December 31, 2023 and 2022 is as follows (in thousands):

	Year ended December 31,	
	2023	2022
Revenue by segment:		
Construction	\$ 45,785	\$ 57,149
Investments	564	633
Intersegment elimination	(564)	(633)
Consolidated revenue	<u>\$ 45,785</u>	<u>\$ 57,149</u>
Gross profit (loss) by segment:		
Construction	12,154	12,660
Investments	336	343
Intersegment elimination	(564)	(633)
Consolidated gross profit	<u>\$ 11,926</u>	<u>\$ 12,370</u>
Income (loss) from operations by segment:		
Construction	2,095	3,560
Investments	(453)	192
Corporate, eliminations and other	(5,988)	(7,296)
Segment income (loss) from operations	<u>(4,346)</u>	<u>(3,544)</u>
Consolidated income (loss) from operations	<u>\$ (4,346)</u>	<u>\$ (3,544)</u>
Depreciation and amortization by segment:		
Construction	2,070	1,974
Investments	228	290
Star equity corporate	29	9
Total depreciation and amortization	<u>\$ 2,327</u>	<u>\$ 2,273</u>

Geographic Information. Our sales to customers and our long-lived assets are attributed to geographic region based on asset location, which are all located within the United States.

Note 16. Mergers and Acquisitions

On October 31, 2023, we acquired, through certain wholly owned subsidiaries, the assets and liabilities of BLL for consideration consisting of cash of \$2.8 million and an earn-out provision of up to \$0.5 million. As a result of this transaction, EBGL expanded its market share of the Greater Minneapolis area. BLL's operations were integrated into and became part of Glenbrook's operations. The earn-out provision, which is accounted for as a contingent liability, is based on a specific gross profit threshold with a measurement period of two years to begin one year after the closing date of the acquisition and can potentially amount to up to \$250,000 for each of the two years, subject to certain limitations. The estimated fair value of the earn-out, which is determined using estimates of forecasted operations and other assumptions, was \$0.2 million as of the acquisition date. No change to the fair value of the earn-out was recorded through December 31, 2023.

In accordance with ASC 805, we accounted for this transaction as a business combination and recorded the assets and liabilities of BLL at fair value. The fair value of the net assets acquired amounted to approximately \$4.1 million at the date of acquisition, and as a result, we recorded a gain of \$1.2 million on our Consolidated Statement of Operations related to the excess of the fair value of the net assets acquired over the acquisition price. This excess is referred to as a "bargain purchase." This bargain purchase indicates that the fair value of the net assets acquired (which represents the price that the assets would be exchanged between a willing buyer and seller) was in excess of the amount for which we acquired such net assets. As a result of the bargain purchase, we reassessed the recognition and measurement of net identifiable assets acquired and determined the valuation procedures applied and resulting measurements of the net identifiable assets were appropriate. We believe the seller was motivated to complete the sale as part of its overall business strategy of exiting the market segment. The revenue and earnings of BLL from November 1, 2023 through December 31, 2023 totaled \$1.4 million and \$0.4 million, respectively.

The following table sets forth the purchase price allocation of BLL to the estimated fair value of assets acquired as of the acquisition date (in thousands):

	As of Acquisition date
Purchase Price	
Cash Paid to Sellers	\$ 2,770
Fair Value of Earn-out Provision	169
Total consideration	2,939
Purchase Price allocation	
Inventories, net	438
Accounts receivable	578
Property and equipment	2,654
Intangible assets,	900
Deferred tax liability	(461)
Fair value allocated to net assets acquired	4,109
Bargain purchase gain	\$ (1,170)

The following unaudited pro forma combined financial information presents our results as if the BLL acquisition had occurred at the beginning of fiscal 2022 (in thousands):

	December 31,			
	2023		2022	
	(unaudited)			
Revenue	\$	54,485	\$	69,149
Gross Profit	\$	13,709	\$	14,906
Net income (loss)	\$	25,732	\$	(3,926)

Note 17. Perpetual Preferred Stock

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

On February 17, 2023, May 19, 2023, August 17, 2023 and November 17, 2023 our board of directors declared cash dividends to holders of our Series A Preferred Stock of \$0.25 per share, for an aggregate amount of approximately \$1.9 million. The record dates for these dividends were March 1, 2023, June 1, 2023, September 1, 2023 and December 1, 2023, respectively, and the payment dates were March 10, 2023, June 10, 2023, September 11, 2023 and December 11, 2023, respectively. As of December 31, 2023, we have no preferred dividends in arrears.

On February 16, 2024, 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 \$0.5 million. The record date for this dividend was March 1, 2024, and the payment date was March 11, 2024.

A roll forward of the balance of Company Preferred Stock for the year ended December 31, 2023 is as follows (in thousands):

Balance at December 31, 2022	\$	18,988
Dividend on Series A Preferred Stock		1,916
Cash Dividend paid on Preferred Stock		(1,916)
Balance at December 31, 2023	\$	18,988

Note 18. Equity Transactions

On January 24, 2022, we closed a public offering (the "2022 Public Offering") pursuant to an underwriting agreement with Maxim Group LLC ("Maxim"), as representative of the underwriters. Through the 2022 Public Offering, we issued and sold (A)(i) 9,175,000 shares of the Company's Common Stock, (ii) an aggregate of 325,000 pre-funded warrants to purchase up to an aggregate of 325,000 shares of Common Stock, and (iii) an aggregate of 9,500,000 common stock purchase warrants (the "Firm Purchase Warrants") to purchase up to 9,500,000 shares of Common Stock and (B) at the election of Maxim, (i) up to an additional 1,425,000 shares of Common Stock and/or (ii) up to an additional 1,425,000 shares of common stock purchase warrants (the "Option Purchase Warrants", and together with the Firm Purchase Warrants, the "Warrants"). Maxim partially exercised its over-allotment option for the purchase of 1,425,000 Warrants for a price of \$0.01 per Warrant. Each share of common stock (or pre-funded warrant in lieu thereof) was sold together with one common warrant to purchase one share of common stock at a price of \$1.50 per share and common warrant. Gross proceeds, before deducting underwriting discounts and offering expenses and excluding any proceeds we may receive upon exercise of the Warrants, were \$14.3 million and net proceeds were \$12.7 million.

In addition, as part of the 2022 Public Offering, the Company issued to Maxim 237,500 common stock purchase warrants (the "Underwriter's Warrants") to purchase up to 237,500 shares of Common Stock at an exercise price of \$1.65 per common warrant. The Underwriter's Warrants have an initial exercise date beginning July 19, 2022, and no exercises have occurred as of December 31, 2023.

As of December 31, 2023, of the warrants issued through the public offering we closed on May 28, 2020 (the "2020 Public Offering"), 1.0 million warrants were exercised and 1.4 million warrants remained outstanding, which represents 0.7 million shares of common stock equivalents, at an exercise price of \$2.25. As of December 31, 2023, of the Warrants issued through the 2022 Public Offering, 0.3 million prefunded warrants were exercised and 10.9 million warrants remained outstanding at an exercise price of \$1.50. The Underwriter's Warrants have not been exercised.

Note 19. Preferred Stock Rights

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

The rights will become exercisable following (i) 10 days after a public announcement that a person or group has become an Acquiring Person (as defined in the 382 Agreement); and (ii) 10 business days (or a later date determined by the board of directors) after a person or group begins a tender or an exchange offer that, if completed, would result in that person or group becoming an Acquiring Person.

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

No rights were exercisable at December 31, 2023. There is no impact to financial results as a result of the adoption of the 382 Agreement for the year ended December 31, 2023.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES**Evaluation of Disclosure Controls and Procedures**

Based on an evaluation under the supervision and with the participation of our management, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act were effective as of the end of the period covered by this report to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of BLL, which is included in the 2023 consolidated financial statements of the Company and constituted 2% of both total and net assets, as of December 31, 2023 and 3% of revenues and less than 1% of net income, for the year then ended.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). Internal control over financial reporting is a process designed under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework (2013 Framework). Based on this assessment, our management concluded that, as of December 31, 2023, our internal control over financial reporting was effective based on those criteria.

Changes in Internal Control over Financial Reporting

Except as described above, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 under the Exchange Act that occurred during fourth quarter of 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION**Security Trading Plans of Directors and Executive Officers**

None of the Company's directors or executive officers adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the Company's fiscal quarter ended December 31, 2023, as such terms are defined under Item 408(a) or Regulation S-K.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Our Board of Directors

The current number of directors on our board of directors is six. Under our bylaws, the number of directors on our board of directors will not be less than five, nor more than nine. The number of directors may be increased or decreased by resolution of the board of directors.

Name	Age	Position
Jeffrey E. Eberwein	53	Director, Executive Chairman of the Board
Richard K. Coleman, Jr.	67	Director, Chief Executive Officer
Michael A. Cunnion	53	Director
John W. Sayward	72	Director
Mitchell I. Quain	72	Director
John W. Gildea	80	Director

Information about the Company's Directors

Set forth below are descriptions of the backgrounds of each director and their principal occupations for at least the past five years and their public-company directorships. There are no family relationships among any of our directors or executive officers. All ages are as of March 22, 2024.

In addition to the information presented below regarding each director's specific experience, qualifications, attributes and skills that led our board of directors to the conclusion that he should serve as a director, we also believe that all of our directors have a reputation for integrity, honesty and adherence to high ethical standards. They each have demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment of service to Star Equity and our board of directors.

Jeffrey E. Eberwein	Age 53	Director since 2012
Chief Executive Officer of Hudson Global Inc. ("Hudson") and Executive Chairman of Star Equity		

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

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

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

Richard K. Coleman, Jr.

Age 67

Director since 2022

Chief Executive Officer of Star Equity

Mr. Coleman was appointed as our Chief Executive Officer in April 2022. Prior to being appointed as our Chief Executive Officer, Mr. Coleman served as our Chief Operating Officer from January 2022 to March 2022. Mr. Coleman was formerly the President, Chief Executive Officer and director of Command Center, Inc., a provider of on-demand flexible employment solutions, from April 2018 to July 2019. He was also the Chairman of Hudson Global Inc., a global talent solutions company, from May 2014 to January 2022. He was the Principal Executive Officer of Crossroads Systems, Inc., a global provider of data archive solutions, from August 2017 to March 2018. Mr. Coleman began his career as an Air Force Telecommunications Officer managing Department of Defense R&D projects. He has also served as an adjunct professor for Regis University’s graduate management program and is a guest lecturer for Denver University’s Pioneer Leadership Program, focusing on leadership and ethics. Coleman holds a master’s degree in Business Administration from Golden Gate University and is a graduate of the United States Air Force Communications Systems Officer School. He holds a Bachelor of Science Degree from the United States Air Force Academy and also has completed leadership, technology, and marketing programs at Kansas University, UCLA, and Harvard Business School.

We believe Mr. Coleman’s extensive business development and operating expertise, his public company board experience, and his broad leadership experience make him well qualified to serve as a director of our Company.

Michael A. Cunnion

Age 53

Director since 2014

Director and Advisor to Growth Companies

Committees: Audit, Compensation (Chairman), and Corporate Governance

Mr. Cunnion has an extensive history of leadership roles at healthcare media and communication companies. Since October 2022, Mr. Cunnion has served on the board of directors of Remedy Health Media, a privately held health media company. From September 2008 to September 2022, Mr. Cunnion served as Remedy Health Media’s Chief Executive Officer. In addition, prior to that, from January 2004 to December 2007, Mr. Cunnion was the President of privately held HealthTalk, a leading provider of tools and information for chronically ill patients and caregivers. Mr. Cunnion successfully built this company and subsequently sold it to Revolution Health in December 2007. Subsequent to this sale, Mr. Cunnion took on the role of Executive Vice President of Revolution Health, where he oversaw revenue and sales strategy until Revolution Health merged with Everyday Health. Prior to HealthTalk, from December 1998 to December 2003, Mr. Cunnion held the role of Senior Director, Consumer Marketing at WebMD, where he led consumer sales strategy, product development and advertising operations. Mr. Cunnion currently serves on the board of directors of Health-e-Commerce, a healthcare e-commerce platform that simplifies healthcare purchasing for consumers, employers and benefit administrators. This is a post that he has held since 2011. Mr. Cunnion earned a B.A. degree in English from Florida State University.

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

John W. Sayward
Retired Partner, Nippon Heart Hospital LLC

Age 72

Director since 2006

Committees: Audit (Chairman) and Compensation

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

We believe that Mr. Sayward's extensive business experience in a variety of sectors makes him well qualified to serve on our board of directors. Further, Mr. Sayward's depth and breadth of positions and experiences also makes him well qualified to serve as a financial expert and audit committee chairman.

Mitchell I. Quain
Industrialist

Age 72

Director since 2019

Committees: Compensation and Corporate Governance (Chairman)

Mr. Quain joined the board of directors of the Company in January 2019 and became lead independent director on January 1, 2021. He has been a member of the Executive Council at American Securities since 2020, and was a Partner at One Equity Partners, a private equity investment firm, from 2010 to 2011. A Chartered Financial Analyst and "Financial Expert", he serves on the board of directors of AstroNova, Inc., Kensington Acquisitions V, and Williams Industrial Holdings. Previously, he served on the boards of publicly traded DeCrane Aircraft Holdings, Inc., Handy & Harman Ltd., Hardinge, Inc., HEICO Corporation, Jason Industries, Kensington Acquisitions, MagneTek, Inc., Mechanical Dynamics, Inc., RBC Bearings, Inc., Strategic Distribution, Tecumseh Products Company, Titan International, Xerium, Inc., was Executive Chairman of the Board of Register.com and a Senior Advisor at Carlyle Group.

He is Chairman Emeritus of the Board of Overseers of The University of Pennsylvania's School of Engineering and Applied Sciences and has served for 10 years on Penn's Board of Trustees. He has served for 9 years on the Board and Executive Committee of Penn Medicine, a \$4 billion enterprise. He is also a member of the Board of Trustees of Curry College, in Milton, Massachusetts. He is on the board of directors of the Palm Beach Zoological Society.

He was born and raised in the New York City area; received his B.S. in electrical engineering from the University of Pennsylvania in 1973 and his MBA with distinction from Harvard Business School in 1975.

He joined the research department of Wertheim & Company in June 1975, and chose machinery as his specialty, having worked for a summer at United Engineers & Contractors, in Philadelphia. He appeared on Institutional Investor magazine's All American research team for fifteen years, "retiring" from research in 1995 while holding the "number one" ranking. Meanwhile, he became a partner in Wertheim in 1984, and in 1995 joined its operating committee, having assumed responsibility for the equity capital markets department. He left the firm in early 1997, joined Furman Selz as an Executive Vice President and a member of its board of directors. There he built Wall Street's second industrial manufacturing group ("the Golden Gear"), having begun its first at Wertheim ("In Rust We Trust"). He left the "sellside" in 2001, retiring as Vice Chairman of ABN AMRO.

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

John W. Gildea
Retired Principal, Gildea Management Company

Age 80

Director since 20

Committees: Audit and Corporate Governance

Mr. Gildea brings over three decades of experience investing in special situation debt and equity of small to middle market companies. Previously, he was the founding partner of Gildea Management Company from 1984-2003, the general partner of The Network Funds. The fund focused on investing and sponsoring special situation investments in public and private companies, primarily in the United States. His previous experience includes a joint venture of Gildea Management with J.O. Hambro Capital Management Co. to manage accounts targeting high yield debt and small capitalization equities. He was also founder of Latona Europe, a joint venture based in Prague seeking restructuring opportunities in Central Europe. Before forming Gildea Management, Mr. Gildea managed the Corporate Services Group at Donaldson, Lufkin and Jenrette, an investment banking firm.

Throughout his extensive career, Mr. Gildea has served on a range of public and private corporate boards. Previously, he served on the board and board committees of the following companies: America Service Group, Inc.; Amdura Corp.; American Healthcare Management, Inc.; America Opportunities Fund; Country Pure Juice; Gentek, Inc.; General Chemical Group, Inc.; Hain Food Group, Inc.; International Textile Group, Inc.; Konover Property Trust, Inc.; Misonix, Inc.; Shearers Foods; Sothic Capital, Sterling Chemicals, Inc.; Trident North Atlantic Fund; and UNC, Inc. Mr. Gildea received a Bachelor of Arts degree from the University of Pittsburgh.

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

Executive Officers

The names of our executive officers, their ages, their positions with Star Equity, and other biographical information as of March 22, 2024, are set forth below. There are no family relationships among any of our directors or executive officers.

Name	Age	Position
Jeffrey E. Eberwein	53	Director, Executive Chairman of the Board of Directors
Richard K. Coleman, Jr.	67	Chief Executive Officer
David J. Noble	53	Chief Financial Officer
Thatcher Butcher	42	President of KBS Builders, Inc.

Jeffrey E. Eberwein. Mr. Eberwein’s full biographical information is provided above under the heading “Information about the Company’s Directors.”

Richard K. Coleman, Jr. Mr. Coleman’s full biographical information is provided above under the heading “Information about the Company’s Directors.”

David J. Noble was appointed as our Chief Financial Officer in July 2019. Prior to being appointed as our Chief Financial Officer, Mr. Noble served as our Chief Operating Officer from September 2018 to January 2022 and as our Interim Chief Financial Officer from January 2019 to July 2019. Prior to joining the Company, Mr. Noble served as Managing Member of Noble Point LLC, a business and financial advisory firm. From July 2005 through September 2017, Mr. Noble was a senior investment banker at HSBC, serving as Managing Director & Head of Equity Capital Markets for the Americas for more than a decade. Prior to joining HSBC, Mr. Noble held various senior roles within Equity Capital Markets at Lehman Brothers, both in the U.S. and overseas, from August 1997 to July 2005. In his 20-year Wall Street career, Mr. Noble was involved in hundreds of equity transactions across a wide range of sectors, including healthcare, industrials, financial services, media, technology, and energy, among others. Mr. Noble earned a B.A. degree in Political Science from Yale University in 1992 and an M.B.A. in Finance from MIT’s Sloan School of Management in 1997.

Thatcher Butcher was appointed as President of KBS Builders, Inc. in May 2022. Prior to joining the Company, Mr. Butcher served as the General Manager, Mid Atlantic Division at Anthony & Sylvan Pools from September 2018 to May 2022. Prior to that, Mr. Butcher worked as Truss and Engineered Lumber Division General Manager at TW Perry from December 2009 to September 2018. Prior to joining TW Perry, Mr. Butcher held various other positions with Rocky Top Building products and Best Building Components. Mr. Butcher studied Architectural Design & Building technology at the State University of New York and completed coursework in Architecture at Clemson University. He has also completed General Management and Leadership Development training at George Mason University.

Director Nomination Process

During the fiscal year ended December 31, 2023, we made no material changes to the procedures by which stockholders may recommend nominees to our board of directors, as described in our most recent proxy statement.

Audit Committee

The audit committee of the board of directors (the “Audit Committee”), established in accordance with Section 3(a)(58)(A) of the Exchange Act, consists of Messrs. Gildea, Cunnion, and Sayward, with Mr. Sayward serving as chairman. All members of the Audit Committee (i) are independent directors (as currently defined in Rule 5605(a)(2) of the Nasdaq listing rules); (ii) meet the criteria for independence set forth in Rule 10A-3(b)(1) under the Exchange Act; (iii) have not participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years; and (iv) are able to read and understand fundamental financial statements. Mr. Sayward qualifies as an “audit committee financial expert” as defined in the rules and regulations established by the SEC. The Audit Committee is governed by a written charter approved by our board of directors.

Compensation Committee

The compensation committee of the board of directors (the “Compensation Committee”) consists of Messrs. Cunnion, Sayward, and Gildea with Mr. Cunnion serving as chairman. All members of the Compensation Committee are independent, as determined under the various Nasdaq, SEC and Internal Revenue Service qualification requirements. The Compensation Committee is governed by a written charter approved by our board of directors. The functions of this committee include, among other things reviewing and, as it deems appropriate, recommending to our board of directors, policies, practices, and procedures relating to the compensation of our directors, officers and other managerial employees and the establishment and administration of our employee benefit plans; establishing appropriate incentives for officers, including the chief executive officer, to encourage high performance, promote accountability and adherence to company values and further our long-term strategic plan and long-term value; and exercising authority under our employee benefit plans.

Corporate Governance Committee

The corporate governance committee of the board of directors (the “Corporate Governance Committee”) consists of Messrs. Cunnion, Gildea and Quain with Mr. Quain serving as chairman. The functions of the Corporate Governance Committee include, among other things: reviewing and recommending nominees for election as directors, assessing the performance of our board of directors, developing guidelines for the composition of our board of directors, reviewing and administering our corporate governance guidelines and considering other issues relating to corporate governance; and oversight of the Company compliance officer and compliance with the Ethics Code. The Corporate Governance Committee is governed by a written charter (the “Corporate Governance Committee Charter”) approved by our board of directors. A copy of the Corporate Governance Committee Charter can be found by clicking on the “Corporate Governance” link under the Investors tab on our website at www.starequity.com. All members of the Corporate Governance Committee are independent directors (as defined in Rule 5605(a)(2) of the Nasdaq listing rules).

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires Star Equity’s directors, executive officers and holders of more than 10% of its common stock to file with the SEC reports (typically, Forms 3, 4, and/or 5) regarding their ownership and changes in ownership of Star Equity’s securities. Based solely on a review of Forms 3, 4, and 5 and amendments thereto filed with the SEC, we believe that during the fiscal year ended December 31, 2023, Star Equity’s directors, officers and 10% stockholders have complied with all applicable Section 16(a) filing requirements, except for one Form 4 that was inadvertently filed late on behalf of David Noble, the Company’s Chief Financial Officer, reporting one transaction.

Code of Business Ethics and Conduct

We have adopted a Code of Business Ethics and Conduct (“Ethics Code”) that applies to all our officers, directors, employees, and contractors. The Ethics Code contains general guidelines for conducting our business consistent with the highest standards of business ethics and compliance with applicable law, and is intended to qualify as a “code of ethics” within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and Item 406 of Regulation S-K. Day-to-day compliance with the Ethics Code is overseen by the Company compliance officer appointed by our board of directors. If we make any substantive amendments to the Ethics Code or grant any waiver from a provision of the Ethics Code to any director or executive officer, we will promptly disclose the nature of the amendment or waiver on our website at www.starequity.com.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table provides information regarding the compensation earned during the fiscal years ended December 31, 2023 and 2022 by our principal executive officer and our two other most highly compensated executive officers (the “named executive officers”) who were serving as executive officers as of December 31, 2023.

Name and Principal Position	Year	Salary (\$ (1))	Bonus (\$ (2))	Stock Awards (\$ (3))	Nonequity Incentive Plan Compensation (\$)	All Other Compensation (\$ (4))	Total (\$)
Richard K. Coleman*	2023	400,000	185,000	74,000	—	2,500	661,500
Chief Executive Officer	2022	382,773	—	100,001	—	2,500	485,274
David J. Noble	2023	325,000	125,000	50,000	—	4,000	504,000
Chief Financial Officer	2022	322,503	78,000	—	—	3,500	404,003
Thatcher Butcher	2023	250,016	106,731	21,347	—	1,017	379,111
President of KBS Builders, Inc.	2022	158,664	500	—	—	1,017	160,181

Effective April 1, 2022, Richard K. Coleman, Jr. was appointed as the Company’s Chief Executive Officer.

- (1) The base salary for each executive is initially established through negotiation at the time the executive is hired, and year-to-year adjustments are made, taking into account attributes and factors described below in the Narrative Disclosure to Summary Compensation Table. Based on the factors discussed above, 2022 base salaries were as follows: Mr. Coleman’s 2023 base salary was \$400,000, which has not been adjusted since it was initially set in April 2022; the total salary for 2023 was \$400,000; Mr. Noble’s 2023 base salary was \$325,000, which was initially set at \$300,000 from his last adjustment in 2018; the total salary for 2023 was \$325,000; Mr. Butcher’s 2023 base salary was initially set at \$250,016, the total for 2023 was \$250,016. The differences between base and actual salary are due to pay period timing differences at year end.
- (2) The executive incentive plan which provides for bonuses at the completion of each fiscal year is described below in the Narrative Disclosure to Summary Compensation Table.
- (3) Represents full fair value at grant date of restricted stock units (“RSUs”), including the stock awards with performance conditions (“PSUs”) described below, representing the right to receive, at settlement, common stock of the Company, granted to our named executive officers, computed in accordance with FASB ASC Topic 718, Stock Compensation. The full grant date fair value of an equity award is the maximum value that may be received over the vesting period if all vesting conditions are satisfied, as discussed further below. Thus, there is no assurance that the value, if any, eventually received by our executive officers will correspond to the amount shown. For information regarding assumptions made in connection with this valuation, please see Note 11. *Share-Based Compensation* within the notes to our consolidated financial statements.
- (4) Amounts shown for 2023 and 2022 include up to \$2,500 matching contributions to the executives’ 401(k) retirement plans and up to \$1,500 seed contribution to the executive’s Health Savings Account plans.

Narrative Disclosure to Summary Compensation Table.

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

When determining the base salary component of executive compensation for 2023, the Compensation Committee considered the achievements of the executives in 2022 based on actual financial performance of the business and achievement of the goals set by the board of directors for the individual executive, the fiscal 2023 budget and financial performance expectations, the totality of all compensation components. After due consideration, the Compensation Committee set compensation as reflected in the Summary Compensation Table above.

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

Fiscal Year 2023. In July 2023, the Company approved and adopted the fiscal year 2023 Executive Incentive Plan (“2023 Annual Plan”) for executive officers. Due to the changing nature of the Company’s business following the sale of Digirad, the 2023 Annual Plan challenged the Company’s executive team to achieve the company’s financial objectives and develop a platform for future organic growth and acquisitions. Actual cash bonus payments under the plan were based on a combination of corporate, team, and individual performance against pre-defined objectives with final payments determined by the Compensation Committee.

The cash bonus amounts under the 2023 Annual Plan were as follows.

Name and Principal Position*	Percentage of Base Salary	Bonus Payout
Richard K. Coleman, Chief Executive Officer	46 %	185,000
David J. Noble, Chief Financial Officer and Chief Operating Officer	38 %	125,000
Thatcher Butcher, President of KBS Builders, Inc.	43 %	106,731

Equity Grants

In connection with the adoption of the 2023 Annual Plan, the Compensation Committee determined, as part of a long-term retention mechanism and to incentivize the executive officers to increase the Company’s stockholder value, to award RSUs effective on March 1, 2023 July 27, 2023 August 16, 2023, November 13, 2023 (the “2023 Grant Dates”) to Messrs. Coleman, Noble and Butcher.

The RSUs granted to each of Messrs. Coleman, Noble and Butcher vest over three years in three equal installments, with each such installment vesting on each anniversary of the 2023 Grant Dates. The RSU grants to Messrs. Coleman, Noble and Butcher were made pursuant to and subject to the terms of the 2023 Annual Plan, the Company’s 2018 Incentive Plan, and the respective award agreement that sets forth the terms of the respective grants.

Name and Principal Position	Cash Value of the Restricted Stock Units Granted
Richard K. Coleman, Chief Executive Officer	74,000
David J. Noble, Chief Financial Officer	50,000
Thatcher Butcher, President of KBS Builders, Inc.	21,347

Other Compensation

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

Outstanding Equity Awards at Fiscal Year-End

The following table presents the outstanding equity awards held by each of the named executive officers as of the fiscal year ended December 31, 2023, including the value of the stock awards.

Name	Grant Date		Option Awards				Stock Awards	
			Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Richard K. Coleman	1/1/2022	(1)	—	—	—	—	25,512	26,788
	7/27/2023	(1)	—	—	—	—	75,773	79,562
David J. Noble	8/23/2021	(1)	—	—	—	—	8,333	8,750
	7/27/2023	(1)	—	—	—	—	51,198	53,758
Thatcher Butcher	3/1/2023	(1)	—	—	—	—	25,719	27,005

(1) 33-1/3% of the units vest annually on the anniversary of the grant date over a three-year period.

(2) 100% of the units vest annually on the anniversary of the grant date.

Potential Payments Upon Termination or Change of Control

Richard K. Coleman, Jr.

On December 16, 2021, the Company hired Richard K. Coleman, Jr. to serve as the Company's Chief Operating Officer, effective January 1, 2022. Effective April 1, 2022, the Company entered into an amended employment agreement with Mr. Coleman (the "Coleman Employment Agreement"), pursuant to which Mr. Coleman serves as Chief Executive Officer of the Company.

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

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

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

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

David J. Noble

On October 31, 2018, the Company entered into an employment agreement with David J. Noble, which was amended and restated on December 22, 2021 (the “Noble Employment Agreement”). On this same date, Mr. Noble agreed to relinquish the role of Chief Operating Officer, while retaining the position of Chief Financial Officer effective January 1, 2022.

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

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

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

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

If Mr. Noble’s employment was terminated in connection with a change of control as of December 31, 2022, he would have been entitled to receive: (i) a cash payment in the amount of \$300,000, (ii) and immediate vesting of certain equity awards.

Thatcher Butcher

On April 19, 2022, the Company entered into an employment agreement with Thatcher Butcher (the “Butcher Employment Agreement”), pursuant to which Mr. Butcher serves as “President - KBS Builders, Inc.” Pursuant to the Butcher Employment Agreement, Mr. Butcher can be terminated for “cause,” upon death, upon disability and without “cause.” Under the Butcher Employment Agreement, termination for “cause” generally means the termination of Mr. Butcher’s employment by reason of: (A) the willful failure of Mr. Butcher to perform his duties and obligations in any material respect (other than any failure resulting from his disability), (B) intentional acts of dishonesty or willful misconduct by Mr. Butcher with respect to the Company, (C) arrest or conviction of a felony or violation of any law involving dishonesty, disloyalty, moral turpitude, or fraud, or entry of a plea of guilty or nolo contendere to such charge, (D) Mr. Butcher’s commission at any time of any act of fraud, embezzlement or willful misappropriation of material Company property, (E) repeated refusal to perform the reasonable and legal instructions of the board of directors, (F) willful and material breach of his obligations under any material agreement entered into between Mr. Butcher and the Company or any of its affiliates, or willful and material breach of the Company’s policies or procedures which causes material damage to the Company, its business or reputation, provided that for subsections (A), (E), and (F), if the breach reasonably may be cured, Mr. Butcher has been given at least thirty (30) days after his receipt of written notice of such breach from the Company to cure such breach. Termination without “cause” means termination for any reason other than death, disability, for “cause,” or for no reason at all, upon sixty (60) days’ written notice.

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

In the event Mr. Butcher voluntarily resigns, is terminated for “cause,” is terminated upon death, or is terminated upon disability, he would be entitled to receive: (i) his then current salary accrued up to and including the date of termination or resignation, (ii) unreimbursed expenses, and (iii) any vested payment or accrued benefits under any equity or Company benefit plan (the “Butcher Accrued Obligations”).

In the event Mr. Butcher terminates his employment for good reason, his employment is terminated without “cause,” or his employment is terminated by delivery of a non-renewal notice by the Company, he would be entitled to receive: (i) the Butcher Accrued Obligations (described above), (ii) a target bonus based on the target bonus metrics used to determine actual performance at the end of the fiscal year, but prorated to reflect the number of full months worked during the fiscal year, (iii) salary continuation for a period of six months in accordance with the Company’s then established payroll practices, provided that payments of the consideration in (ii) and (iii) are subject to Mr. Butcher’s execution and delivery of a customary general release (that is no longer subject to revocation under applicable law) of the Company, its parents, subsidiaries and affiliates and each of their respective officers, directors, employees, agents, successors and assigns.

Equity Awards

The equity agreements of our named executive officers provide that, in case of a change of control of the Company, all equity instruments then outstanding but neither assumed nor replaced by the successor entity shall vest immediately upon the change of control event. Further, if an executive’s employment is terminated without cause within twelve (12) months of the change of control, all equity instruments then outstanding, either assumed or replaced, shall become fully vested at the time of termination. As of December 31, 2023, the value of the equity instruments of our named executive officers that would accelerate upon (i) termination without cause within twelve (12) months of a change of control in which stock options and restricted stock units are assumed or replaced by the successor entity, or (ii) a change of control in which the outstanding stock options and restricted stock units are neither assumed or replaced by the successor entity, would be as follows based on the difference between the closing price on the last trading day of the year of \$1.05 per share and the exercise price of the respective options, and with regard to restricted stock units, based solely on the closing price on the last trading day of the year of \$1.05:

Name	Stock Award Value as of December 31, 2023
Richard K. Coleman	74,000
David J. Noble	50,000
Thatcher Butcher	21,347

COMPENSATION OF DIRECTORS

Annual Retainer

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

The compensation paid to the members of our board of directors is indicated in the chart below:

2023 Director Compensation	
Director Annual Retainer (all) (1)	\$ 72,000.00
Additional Annual Retainer to Executive Chairperson	\$ 100,000.00
Additional Annual Retainer to Audit Committee Chairperson	\$ 25,000.00
Additional Annual Retainer to Compensation Committee Chairperson	\$ 15,000.00
Additional Annual Retainer to Corporate Governance Committee Chairperson	\$ 10,000.00
Additional Annual Retainer to Audit Committee Member	\$ 5,000.00
Additional Annual Retainer to Compensation Committee Member	\$ 5,000.00
Additional Annual Retainer to Corporate Governance Committee Member	\$ 5,000.00

(1) Due to the limitation in the RSUs available for issuance, in August 2022, the Compensation Committee of our board of directors elected to suspend all RSU compensation and to provide compensation to all Directors

(2) In August 2023, the Compensation Committee of our board of directors elected to pay compensation to Directors in both cash and RSUs

For the sake of clarity, in fiscal year ended December 31, 2023, each of the Audit Committee, the Compensation Committee, the Corporate Governance Committee, and the Strategic Advisory Committee chairpersons received a chairperson fee in addition to the retainer fee set forth in the table above.

Equity Compensation

Equity compensation awards, and the amount of such awards, to non-employee members of our board of directors are at the discretion of the Compensation Committee of our board of directors. Historically, such awards have been in the form of RSUs and the Compensation Committee generally set the amount of those awards at a fair market value equal to the annual cash retainer received by non-employee members of our board of directors (the “Retainer Awards”). We believe that equity compensation helps to further align the interests of our directors with those of our stockholders because the value of directors’ share ownership will rise and fall with that of our other stockholders. In March 2021, the Compensation Committee elected to end the separate annual equity awards described above and to instead increase the size of the Retainer Awards to quarterly awards of RSUs having a fair market value (as defined in the 2023 Annual Plan) of \$18,000 each. Due to the limitation in the RSUs available for issuance, in August 2022, the Compensation Committee elected to temporarily suspend all RSU compensation and to provide compensation to all Directors in cash. Beginning with the second quarter of 2023, the Compensation Committee determined to begin paying equity compensation awards partially in RSUs and partially in cash.

Director Compensation Table

The following table sets forth summary information concerning compensation paid or accrued for services rendered to us in all capacities to the non-employee members of our board of directors for the fiscal year ended December 31, 2023.

	Fees Paid in Cash (\$)	Stock Awards (\$) ⁽¹⁾	All Other Compensation (\$)	Total (\$)
Jeffrey E. Eberwein	\$ 129,800	\$ 17,200	—	\$ 147,000
John Gildea	78,300	8,700	—	87,000
Michael A. Cunnion	87,300	9,700	—	97,000
John W. Sayward	91,800	10,200	—	102,000
Mitchell I. Quain	73,800	8,200	—	82,000

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

PAY VERSUS PERFORMANCE

Pay Versus Performance

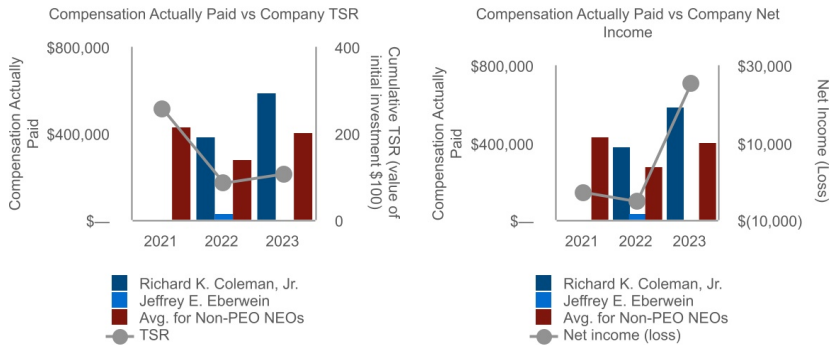
As required by Section 953(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(v) of Regulation S-K, the following table sets forth information concerning the compensation of our principal executive officer, or “PEO,” and, on an average basis, the compensation of our other named executive officers, or “NEOs,” for each of the fiscal years ending December 31, 2023, 2022 and 2021, as such compensation relates to our financial performance for each such fiscal year.

Year	Jeffrey E. Eberwein		Richard K. Coleman, Jr.				Value of Initial Fixed \$100 Investment ⁽⁴⁾ Based on:			
	Summary Compensation Table Total for PEO	Compensation Actually Paid to PEO ⁽¹⁾ ⁽²⁾	Summary Compensation Table Total for PEO	Compensation Actually Paid to PEO ⁽¹⁾ ⁽²⁾	Average Summary Compensation Table Total for Non-PEO NEOs ⁽³⁾	Average Compensation Actually Paid to Non- PEO NEOs ⁽¹⁾⁽³⁾	Total Shareholder Return	Peer Group Total Shareholder Return	Net Income (in thousands)	Company - Selected Measure
2023	\$147,000	—	\$661,500	\$587,500	\$441,556	\$405,882	\$105	*	\$25,132	*
2022	\$179,500	36,000	\$485,274	\$385,273	\$282,092	\$282,092	\$85	*	\$(5,252)	*
2021	\$78,000	—	N/A	N/A	\$322,924	\$431,887	\$255	*	\$(2,983)	*

* Not required for smaller reporting companies
(1) Compensation actually paid is defined in Item 402(v)(2)(iii) of Regulation S-K. The following table details the applicable adjustments that were made to determine compensation actually paid:
(2) During 2021 through March 31, 2022, our PEO was Jeffrey E. Eberwein, and Richard K. Coleman, Jr. was appointed as Chief Executive Officer and PEO effective as of April 1, 2022.
(3) The non-PEO NEOs in the 2023 reporting year were David J. Noble and Thatcher Butcher. The non-PEO NEOs in the 2022 reporting year were David J. Noble and Martin Shirley. The non-PEO NEOs in the 2021 reporting year were David J. Noble and Matthew G. Molchan.
(4) Total Shareholder Return assumes \$100 was invested on December 31, 2020.

Analysis of the Information Presented in the Pay Versus Performance Table

As described in more detail in “Executive Compensation” above, the Company’s executive compensation practices reflect a comprehensive assessment of several compensation components, including actual financial performance of the business. While the Company utilizes several performance measures to align executive compensation with Company performance, all of those measures are not presented in the Pay Versus Performance table. Moreover, the Company generally seeks to incentivize long-term performance and, therefore, does not specifically align the Company’s performance measures with compensation that is actually paid (as computed in accordance with SEC rules) for a particular year. In accordance with SEC rules, the Company is providing the following descriptions of the relationships between information presented in the Pay Versus Performance table. The following charts set forth the relationship between compensation actually paid and the Company’s cumulative TSR and between compensation actually paid and the Company’s net income.



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

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information as of March 7, 2024 regarding the beneficial ownership of our common stock by (i) each person we know to be the beneficial owner of 5% or more of our common stock, (ii) each of our current named executive officers, (iii) each of our directors, and (iv) all of our current executive officers and directors as a group. Information with respect to beneficial ownership has been furnished by each director, executive officer or 5% or more stockholder, as the case may be. The address for all executive officers and directors is c/o Star Equity Holdings, Inc., 53 Forest Avenue Suite 101, Old Greenwich, Connecticut 06870.

Percentage of beneficial ownership is calculated based on 15,848,202 shares of common stock outstanding as of March 7, 2024. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission which generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities and includes shares of our common stock issuable pursuant to the exercise of stock options, warrants or other securities that are immediately exercisable or convertible or exercisable or convertible within 60 days of March 7, 2024. Unless otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Shares Beneficially Owned
5% Stockholders:		
None		
Named Executive Officers and Directors:		
Jeffrey E. Eberwein ⁽¹⁾	5,137,485	30.40%
John W. Sayward ⁽²⁾	100,422	0.63%
Michael A. Cunnion ⁽³⁾	115,120	0.73%
Mitchell I. Quain ⁽⁴⁾	272,936	1.72%
John Gildea ⁽⁵⁾	177,722	1.12%
Richard K. Coleman ⁽⁶⁾	165,400	1.04%
David J. Noble ⁽⁷⁾	150,132	0.95%
Thatcher Butcher ⁽⁸⁾	6,000	0.04%
All Executive Officers and Directors as a group (8 persons) ⁽⁹⁾	6,125,217	35.99%

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

(1) Includes (a) 4,062,485 shares of common stock held by Mr. Eberwein and (b) 1,075,000 shares of common stock underlying warrants exercisable within 60 days of March 7, 2024.

(2) Includes 100,422 shares of common stock held by Mr. Sayward.

(3) Includes (a) 104,320 shares of common stock held by Mr. Cunnion and (b) 10,800 shares of common stock underlying warrants exercisable within 60 days of March 7, 2024.

(4) Includes 272,936 shares of common stock held by Mr. Quain.

(5) Includes (a) 144,322 shares of common stock held by Mr. Gildea and (b) 33,400 shares underlying warrants exercisable within 60 days of March 7, 2024.

(6) Includes (a) 132,000 shares of common stock held by Mr. Coleman and (b) 33,400 shares underlying warrants exercisable within 60 days of March 7, 2024.

(7) Includes (a) 110,132 shares of common stock held by Mr. Noble and (b) 40,000 shares underlying warrants exercisable within 60 days of March 7, 2024.

(8) Includes 6,000 shares of common stock held by Mr. Butcher.

(9) Includes (a) 6,125,217 shares of common stock held by our 8 executive officers and directors and (b) 1,192,600 shares of common stock underlying the warrants exercisable within 60 days of March 7, 2024.

Securities Authorized for Issuance Under Equity Compensation Plans

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Equity Compensation Plan Information December 31, 2023		Number of securities remaining available for future issuance under equity compensation plans (excluding shares reflected in column (a)) (c)	
		Weighted average exercise price of outstanding options, warrants, and rights (b) (2)			
Equity compensation plans approved by security holders	405,463 (1)	\$ 51.20		690,733	(3)
Equity compensation plans not approved by security holders	—	—		—	
Total	405,463	\$ 51.20		690,733	

(1) This amount includes the following:

- 1,907 shares issuable upon the exercise of outstanding stock options under the Company's 2004 Stock Incentive 7 Year Plan, the 2004 Stock Incentive Plan, and the 2014 Equity Incentive Award Plan (the "2014 Incentive Plan"), with a weighted-average exercise price of \$36.83.
- 403,556 RSUs granted under the 2014 Incentive Plan and 2018 Incentive Plan.

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

(3) This amount represents the number of shares available for issuance pursuant to stock options and other awards that could be granted in the future under the 2018 Incentive Plan, as amended July 31, 2020 in order to increase the number of shares authorized for issuance thereunder. The 2018 Incentive Plan allows for issuance of up to the sum of (i) 450,000 shares, plus (ii) the number of shares of common stock of the Company which remain available for grants of options or other awards under the 2014 Incentive Plan as of April 27, 2018, plus (iii) the number of shares that, after April 27, 2018, would again become available for issuance pursuant to the reserved share replenishment provisions of the 2014 Incentive Plan as a result of, stock options issued thereunder expiring or becoming unexercisable for any reason before being exercised in full, or, as a result of restricted stock being forfeited to the Company or repurchased by the Company pursuant to the terms of the agreements governing such shares (the shares described in clauses (ii) and (iii) of this sentence, the "Carryover Shares"). As of December 31, 2023, there were 63,751 Carryover Shares.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE***Star Equity Holdings, Inc.***

As of December 31, 2023, Jeffrey E. Eberwein, the Company's Executive Chairman, owned 4,062,485 shares of Common Stock, representing approximately 25.67% of our outstanding Common Stock. In addition, as of December 31, 2023, Mr. Eberwein owned 1,182,414 shares of Series A Preferred Stock.

Director Independence

Our board of directors has determined that each of the directors, except Messrs. Eberwein and Coleman, are independent directors (as currently defined in Rule 5605(a)(2) of the Nasdaq listing rules). In determining the independence of our directors, our board of directors considered all transactions in which the Company and any director had any interest, including those discussed above. The independent directors meet as often as necessary to fulfill their responsibilities, including meeting at least twice annually in executive session without the presence of non-independent directors and management.

The Audit Committee currently consists of Messrs. Gildea, Cunnion, and Sayward, with Mr. Sayward serving as chairman. All members of the Audit Committee are independent directors as defined in Rule 5605(a)(2) of the Nasdaq listing rules and Rule 10A-3 under the Exchange Act, and no member of the Audit Committee participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years.

The Compensation Committee currently consists of Messrs. Cunnion, Sayward, and Gildea with Mr. Cunnion serving as chairman. All members of the Compensation Committee are independent directors as determined in accordance with the Compensation Committee charter and applicable Nasdaq listing rules (Rule 5605(a)(2) of the Nasdaq listing rules).

The Corporate Governance Committee currently consists of Messrs. Cunnion, Gildea and Quain with Mr. Quain serving as chairman. All members of the Corporate Governance Committee are independent directors (as defined in Rule 5605(a)(2) of the Nasdaq listing rules).

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

In connection with the audit of the 2023 consolidated financial statements, we entered into an engagement agreement with [Wolf & Company, P.C. \(Boston, MA\)](#), PCAOB ID #392 ("Wolf") which sets forth the terms by which Wolf has performed audit and related professional services for us.

The following tables set forth the aggregate accounting fees paid by us to Wolf for the fiscal years ended December 31, 2023 and 2022.

Type of Fee	For the years ended December 31	
	2023	2022
	(in thousands)	
Audit Fees	\$ 548	\$ 515
Audit-Related Fees	—	15
Totals	<u>\$ 548</u>	<u>\$ 530</u>

The below fees were paid to BDO US, LLP (San Diego, CA, PCAOB ID # 243) for the fiscal year ended December 31, 2022.

Type of Fee	For the years ended December 31	
	2023	2022
	(in thousands)	
Audit Fees	\$ —	\$ 315
Audit-Related Fees	—	42
Tax Fees	—	245
Totals	<u>\$ —</u>	<u>\$ 602</u>

No other accounting firm was retained to perform the identified accounting work for us. All non-audit related services in the tables above were pre-approved and/or ratified by the Audit Committee.

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

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

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

With respect to the professional services rendered, the Audit Committee had determined that the rendering of all non-audit services by our independent registered public accounting firm were compatible with maintaining the auditor's independence and had pre-approved all such services.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report:

1. Financial Statements

The financial statements of Star Equity Holdings, Inc. listed below are set forth in Item 8 of this report for the year ended December 31, 2023:

- Report of Independent Registered Public Accounting Firm
- Consolidated Statements of Operations for the Years Ended December 31, 2023 and 2022
- Consolidated Balance Sheets at December 31, 2023 and 2022
- Consolidated Statements of Cash Flows for the Years Ended December 31, 2023 and 2022
- Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2023 and 2022
- Notes to Consolidated Financial Statements

2. Financial Statement Schedules

All other schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

3. Exhibits required by Item 601 of Regulation S-K

The information required by this Section (a)(3) of Item 15 is set forth on the exhibit index below.

EXHIBIT INDEX

Exhibit Number	Description
3.1	<u>Restated Certificate of Incorporation of Digirad Corporation (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on May 3, 2006).</u>
3.2	<u>Certificate of Designation of Rights, Preferences and Privileges of Series B Participating Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 24, 2013).</u>
3.3	<u>Certificate of Amendment of the Restated Certificate of Incorporation of Digirad Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 5, 2015).</u>
3.4	<u>Certificate of Amendment of the Restated Certificate of Incorporation of Digirad Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 1, 2018).</u>
3.5	<u>Certificate of Amendment of the Restated Certificate of Incorporation of Digirad Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 31, 2019).</u>
3.6	<u>Certificate of Designations, Rights and Preferences of 10% Series A Cumulative Perpetual Preferred Stock of Digirad Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on September 11, 2019).</u>
3.7	<u>Certificate of Amendment of the Restated Certificate of Incorporation of Digirad Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on December 28, 2020).</u>
3.8	<u>Certificate of Designation of Series C Participating Preferred Stock of Star Equity Holdings, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on June 2, 2021).</u>
3.9	<u>Certificate of Amendment of the Restated Certificate of Incorporation of Star Equity Holdings, Inc. (incorporated by reference to Annex B to the Company's Definitive Proxy Statement filed with the Commission on September 22, 2021).</u>
3.10	<u>Certificate of Amendment to Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on June 2, 2022).</u>
3.11	<u>Amended and Restated Certificate of Designations, Rights and Preferences of 10% Series A Cumulative Perpetual Preferred Stock of the Company (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the Commission on June 2, 2022).</u>
3.12	<u>Amended and Restated Bylaws of Digirad Corporation dated May 4, 2007 and Amendment No. 1 to the Amended and Restated Bylaws of Digirad Corporation dated April 5, 2017 (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 1, 2017).</u>
3.11	
4.1	<u>Form of Specimen Stock Certificate (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-1 (File No. 333-113760) filed with the Commission on March 19, 2004).</u>
4.2	<u>Description of Registrant's Securities (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 13, 2020).</u>
4.3	<u>Form of Maxim Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on May 29, 2020, referencing Exhibit 1.1 (Underwriting Agreement) to the same Current Report on Form 8-K).</u>
4.4	<u>Form of Warrant (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the Commission on May 29, 2020).</u>
4.5	<u>Warrant Agent Agreement, dated May 28, 2020, between Digirad Corporation and American Stock Transfer & Trust Company, LLC (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the Commission on May 29, 2020).</u>
4.6	<u>Rights Agreement, dated as of June 2, 2021, by and between Star Equity Holdings, Inc. and American Stock Transfer & Trust Company, LLC, as Rights Agent (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on June 2, 2021).</u>
4.7	<u>Form of Pre-Funded Common Stock Purchase Warrant (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the Commission on January 25, 2022).</u>

Exhibit Number	Description
4.8	<u>Form of Common Stock Purchase Warrant (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the Commission on January 25, 2022).</u>
4.9	<u>Warrant Agent Agreement, dated January 10, 2022, between Star Equity Holdings, Inc. and American Stock Transfer & Trust Company, LLC (incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed with the Commission on January 25, 2022).</u>
4.10	<u>Underwriter's Warrant (incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed with the Commission on January 25, 2022, referencing Exhibit 1.1 of this Registration Statement (Underwriting Agreement) to the same Current Report on Form 8-K).</u>
10.1#	<u>Form Indemnification Agreement of the Company for directors and officers (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K filed with the Commission on March 6, 2015).</u>
10.2#	<u>Digirad Corporation 2014 Equity Incentive Award Plan (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 filed with the Commission on June 6, 2014).</u>
10.3#	<u>Form of 2018 Incentive Plan, as Amended of Star Equity Holdings, Inc. (incorporated by reference to Appendix A to the Company's Definitive Proxy Statement filed with the Commission on May 18, 2023).</u>
10.4#	<u>Form of 2018 Incentive Plan Restricted Stock Unit Agreement (incorporated by reference to Exhibit 99.2 to the Company's Registration Statement on Form S-8 filed with the Commission on November 6, 2018).</u>
10.5#	<u>Form of 2018 Incentive Plan Restricted Stock Unit Agreement (Performance Based) (incorporated by reference to Exhibit 99.3 to the Company's Registration Statement on Form S-8 filed with the Commission on November 6, 2018).</u>
10.6#	<u>Employment Agreement, by and between Digirad Corporation and David Noble, dated October 31, 2018 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on December 16, 2021).</u>
10.7#	<u>Indemnification Agreement, by and between Digirad Corporation and David Noble, dated October 25, 2018 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 5, 2018).</u>
10.8	<u>Consolidated Agreements, dated April 1, 2014, between DMS Health Technologies, Inc. and Philips Healthcare, a Division of Philips Electronics North America Corporation (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 3, 2017).</u>
10.9	<u>Amendment, dated June 9, 2015, to the Consolidated Agreements between DMS Health Technologies, Inc. and Philips Healthcare, a Division of Philips Electronics North America Corporation (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 10-Q filed with the Commission on November 3, 2017).</u>
10.10	<u>Lease Agreement, dated April 3, 2019, by and between KBS Builders, Inc. and 947 Waterford Road, LLC (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on April 3, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.</u>
10.11	<u>Lease Agreement, dated April 3, 2019, by and between KBS Builders, Inc. and 300 Park Street, LLC (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the Commission on April 3, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.</u>
10.12	<u>Lease Agreement, dated April 3, 2019, by and between KBS Builders, Inc. and 56 Mechanic Falls Road, LLC (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 8, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.</u>
10.13	<u>First Amendment to Lease, dated April 18, 2019, by and between 56 Mechanic Falls Road, LLC and KBS Builders, Inc. (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 8, 2019).</u>
10.14	<u>Consent and Acknowledgment Agreement and Twelfth Amendment to Loan Agreement, dated as of September 10, 2019, by and among Gerber Finance Inc., KBS Builders, Inc., ATRM Holdings, Inc. and Digirad Corporation. (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on September 11, 2019).</u>
10.15	<u>Third Agreement of Amendment to the Loan and Security Agreement, dated as of September 29, 2017, by and among Gerber Finance, Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.3 to ATRM Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Commission on April 16, 2019).</u>

Exhibit Number	Description
10.16	<u>Fourth Agreement of Amendment to Loan and Security Agreement, dated as of July 20, 2017, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.1 to ATRM Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Commission on April 16, 2019).</u>
10.17	<u>Fifth Agreement of Amendment to Loan and Security Agreement, dated as of September 29, 2017, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.2 to ATRM Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Commission on April 16, 2019).</u>
10.18	<u>Sixth Agreement of Amendment to Loan and Security Agreement, dated as of December 22, 2017, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.22 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).</u>
10.19	<u>Eighth Agreement of Amendment to Loan and Security Agreement, dated as of October 1, 2018, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.25 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).</u>
10.20	<u>Ninth Agreement of Amendment to Loan and Security Agreement, dated as of February 22, 2019, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.29 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).</u>
10.21	<u>Tenth Agreement of Amendment to Loan and Security Agreement, dated as of April 1, 2019, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.30 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).</u>
10.22	<u>Fifth Agreement of Amendment to Loan and Security Agreement, dated as of April 1, 2019, by and among Gerber Finance Inc., Edgebuilder, Inc., Glenbrook Building Supply, Inc., ATRM Holdings, Inc. and KBS Builders, Inc. (incorporated by reference to Exhibit 10.31 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).</u>
10.23	<u>Eleventh Agreement of Amendment to Loan and Security Agreement, dated as of April 15, 2019, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.39 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).</u>
10.24	<u>Loan and Security Agreement, dated January 31, 2020, by and among Star Real Estate Holdings USA, Inc., 300 Park Street, LLC, 947 Waterford Road, LLC, 56 Mechanic Falls Road, LLC, ATRM Holdings, Inc., EdgeBuilder, Inc., Glenbrook Building Supply, Inc., KBS Builders, Inc., Digirad Corporation, and Gerber Finance Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on February 6, 2020). Schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.</u>
10.25	<u>Loan and Security Agreement, dated January 31, 2020, by and among EdgeBuilder, Inc., Glenbrook Building Supply, Inc., Star Real Estate Holdings USA, Inc., 300 Park Street, LLC, 947 Waterford Road, LLC, 56 Mechanic Falls Road, LLC, ATRM Holdings, Inc., KBS Builders, Inc., Digirad Corporation, and Gerber Finance Inc. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on February 6, 2020). Schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.</u>
10.26	<u>Extension and Modification Agreement, dated January 31, 2020, by and among EdgeBuilder, Inc., Glenbrook Building Supply, Inc. and Premier Bank (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on February 6, 2020).</u>
10.27	<u>Thirteenth Amendment to Loan and Security Agreement, dated January 31, 2020, by and among Gerber Finance Inc., KBS Builders, Inc., ATRM Holdings, Inc., and Digirad Corporation (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on February 6, 2020).</u>
10.28	<u>First Amendment to Loan and Security Agreement, dated February 20, 2020, by and among Star Real Estate Holdings USA, Inc., 300 Park Street, LLC, 947 Waterford Road, LLC, 56 Mechanic Falls Road, LLC and Gerber Finance Inc (incorporated by reference to Exhibit 10.63 to the Company's Annual Report on Form 10-K filed with the Commission on March 9, 2020).</u>
10.29	<u>First Amendment to Loan and Security Agreement Dated January 31, 2020, dated as of March 5, 2020, by and among Gerber Finance Inc., EdgeBuilder, Inc. and Glenbrook Building Supply, Inc.; and Consent and as a Fourteenth Amendment to Loan and Security Agreement Dated February 23, 2016, by and among Gerber Finance Inc., KBS Builders, Inc., ATRM Holdings, Inc. and Digirad Corporation (incorporated by reference to Exhibit 10.64 to the Company's Annual Report on Form 10-K filed with the Commission on March 9, 2020).</u>

Exhibit Number	Description
10.30	<u>Second Amendment to Loan and Security Agreement, dated April 30, 2020, by and among Star Real Estate Holdings USA, Inc., 300 Park Street, LLC, 947 Waterford Road, LLC, 56 Mechanic Falls Road, LLC and Gerber Finance Inc. (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 15, 2020).</u>
10.31	<u>Fifteenth Amendment to Loan and Security Agreement dated April 1, 2020, between KBS Builders, Inc. and Gerber Finance Inc. (incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 15, 2020).</u>
10.32	<u>Second Amendment to Loan and Security Agreement, dated July 1, 2020, by and among Gerber Finance Inc., EdgeBuilder, Inc., and Glenbrook Building Supply, Inc. (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 13, 2020).</u>
10.33	<u>Sixteenth Amendment to Loan and Security Agreement, dated January 5, 2021, by and among Gerber Finance Inc., KBS Builders, Inc., ATRM Holdings, Inc., and Star Equity Holdings, Inc. (incorporated by reference to Exhibit 10.78 to the Company's Annual Report on Form 10-K filed with the Commission on March 29, 2021).</u>
10.34	<u>Seventeenth Amendment to Loan and Security Agreement, dated February 26, 2021, by and among Gerber Finance Inc., KBS Builders, Inc., ATRM Holdings, Inc., and Star Equity Holdings, Inc. (incorporated by reference to Exhibit 10.74 to the Company's Annual Report on Form 10-K filed with the Commission on March 29, 2021).</u>
10.35	<u>Third Amendment to Loan and Security Agreement, dated January 31, 2020, by and among Gerber Finance Inc., Star Real Estate Holdings USA, Inc., 300 Park Street, LLC, 947 Waterford Road, LLC, and 56 Mechanic Falls Road, LLC. (incorporated by reference to Exhibit 10.75 to the Company's Annual Report on Form 10-K filed with the Commission on March 29, 2021).</u>
10.36	<u>Third Amendment to Loan and Security Agreement, dated January 31, 2020, by and among Gerber Finance Inc., EdgeBuilder, Inc., and Glenbrook Building Supply, Inc. (incorporated by reference to Exhibit 10.75 to the Company's Annual Report on Form 10-K filed with the Commission on March 29, 2021).</u>
10.37	<u>Gerber KBS Eighteenth Amendment to Loan and Security Agreement, dated July 30, 2021, by and among Gerber Finance Inc., KBS Builders, Inc., ATRM Holdings, Inc., and Star Equity Holdings, Inc. (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 10, 2021).</u>
10.38	<u>Gerber EBGL Fourth Amendment to Loan and Security Agreement, dated July 30, 2021, by and among Gerber Finance Inc., EdgeBuilder, Inc., and Glenbrook Building Supply, Inc. (incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 10, 2021).</u>
10.39	<u>Gerber EBGL Amended and Restated Promissory Note, dated July 30, 2021, by and among EdgeBuilder, Inc., and Glenbrook Building Supply, Inc. (incorporated by reference to Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 10, 2021).</u>
10.40	<u>Gerber EBGL Fifth Amendment to Loan and Security Agreement, dated October 21, 2021, by and among Gerber Finance Inc., EdgeBuilder, Inc., and Glenbrook Building Supply, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 12, 2021).</u>
10.41	<u>Gerber EBGL Sixth Amendment to Loan and Security Agreement, dated January 20, 2022, by and among Gerber Finance Inc., EdgeBuilder, Inc., and Glenbrook Building Supply, Inc. (incorporated by reference to Exhibit 10.89 to the Company's Annual Report on Form 10-K filed with the Commission on March 31, 2022).</u>
10.42	<u>Gerber EBGL Seventh Amendment to Loan and Security Agreement, dated March 8, 2022, by and among Gerber Finance Inc., EdgeBuilder, Inc., and Glenbrook Building Supply, Inc. (incorporated by reference to Exhibit 10.90 to the Company's Annual Report on Form 10-K filed with the Commission on March 31, 2022).</u>
10.43	<u>Gerber KBS Nineteenth Amendment to Loan and Security Agreement, dated March 8, 2022, by and among Gerber Finance Inc. and KBS Builders, Inc. (incorporated by reference to Exhibit 10.91 to the Company's Annual Report on Form 10-K filed with the Commission on March 31, 2022).</u>
10.44#	<u>Employment Agreement, dated as of March 31, 2022 between Star Equity Holdings, Inc. and Richard K. Coleman, Jr. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on April 4, 2022).</u>
10.45#	<u>Separation Agreement and Release between the Company and Matthew G. Molchan, dated April 19, 2022 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on April 22, 2022).</u>

Exhibit Number	Description
10.46	<u>Form of Pre-Funded Common Stock Purchase Warrant (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the Commission on January 25, 2022).</u>
10.47	<u>Form of Common Stock Purchase Warrant (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the Commission on January 25, 2022).</u>
10.48	<u>Warrant Agent Agreement, dated January 10, 2022, between Star Equity Holdings, Inc. and American Stock Transfer & Trust Company, LLC (incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed with the Commission on January 25, 2022).</u>
10.49	<u>eCapital EBGL Eighth Amendment to Loan and Security Agreement, dated August 11, 2022, by and among eCapital Asset Based Lending Corp., EdgeBuilder, Inc., and Glenbrook Building Supply, Inc. (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 12, 2022).</u>
10.50#	<u>2022 Inducement Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on October 31, 2022).</u>
10.51	<u>eCapital EBGL Ninth Amendment to Loan and Security Agreement, dated September 1, 2022, by and among eCapital Asset Based Lending Corp., EdgeBuilder, Inc., and Glenbrook Building Supply, Inc. (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2022).</u>
10.52	<u>eCapital KBS Twentieth Amendment to Loan and Security Agreement, dated September 27, 2022, by and eCapital Asset Based Lending Corp. and KBS Builders, Inc. (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2022).</u>
10.53	<u>eCapital EBGL Eleventh Amendment to Loan and Security Agreement, dated December 31, 2022, by and among eCapital Asset Based Lending Corp., EdgeBuilder, Inc., and Glenbrook Building Supply, Inc. (incorporated by reference to Exhibit 10.104 to the Company's Annual Report on Form 10-K filed with the Commission on March 15, 2023).</u>
10.54	<u>eCapital KBS Twenty-First Amendment to Loan and Security Agreement, dated December 31, 2022, by and among eCapital Asset Based Lending Corp. and KBS Builders, Inc. (incorporated by reference to Exhibit 10.105 to the Company's Annual Report on Form 10-K filed with the Commission on March 15, 2023).</u>
10.55	<u>Fourth Amendment to Loan and Security Agreement, dated December 31, 2022, by and among Gerber Finance Inc., Star Real Estate Holdings USA, Inc., 300 Park Street, LLC, 947 Waterford Road, LLC, and 56 Mechanic Falls Road, LLC, (incorporated by reference to Exhibit 10.106 to the Company's Annual Report on Form 10-K filed with the Commission on March 15, 2023).</u>
10.56	<u>Asset Purchase Agreement by and among Glenbrook Building Supply Inc., Big Lake Lumber Inc. and Ray Klindworth and Paul Fridgen (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on November 2, 2023).</u>
10.57	<u>Revolving Credit Loan Agreement and Promissory Note by and between Glenbrook Building Supply, Inc., EdgeBuilder, Inc., and Premier Bank (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on August 22, 2023).</u>
10.58	<u>Stock Purchase and Contribution Agreement by and among Star Equity Holdings, Inc., Digirad Health, Inc., TTG Imaging Solutions, LLC and Insignia TTG Parent, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on May 5, 2023).</u>
10.59*	<u>Lease Agreement, dated November 1, 2023, by and between Glenbrook Building Supply, Inc., and 791 Rose Drive, LLC.</u>
21.1*	<u>Subsidiaries of Star Equity Holdings, Inc.</u>
23.1*	<u>Consent of Wolf & Company, P.C., Independent Registered Public Accounting Firm.</u>
24.1*	<u>Power of Attorney (included on the signature page of this Form 10-K).</u>
31.1*	<u>Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2*	<u>Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1*+	<u>Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2*+	<u>Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
97	<u>Star Equity Holdings, Inc. Compensation Clawback Policy (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 8, 2023).</u>

Exhibit Number	Description
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase
101.LAB*	Inline XBRL Taxonomy Extension Labels Linkbase
101.PRE*	Inline XBRL Taxonomy Presentation Linkbase
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase
104.1	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).

Indicates management contract or compensatory plan.

* Filed herewith.

+ The certifications attached as Exhibits 32.1 and 32.2 that accompany this Annual Report on Form 10-K are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Star Equity Holdings, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Annual Report on Form 10-K, irrespective of any general incorporation language contained in such filings.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

STAR EQUITY HOLDINGS, INC.

Dated: March 22, 2024

By: /S/ RICHARD K. COLEMAN, JR.

Name: **Richard K. Coleman, Jr.**

Title: **Chief Executive Officer**

Power of Attorney

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Richard K. Coleman, Jr. and David J. Noble, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each of said attorneys-in-fact and agents, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that each of said attorneys-in-facts and agents, or his substitute or substitutes, or any of them, shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Name	Title	Date
<u>/S/ JEFFREY E. EBERWEIN</u> Jeffrey E. Eberwein	Executive Chairman of the Board of Directors	March 22, 2024
<u>/S/ RICHARD K. COLEMAN, JR.</u> Richard K. Coleman, Jr.	Chief Executive Officer (Principal Executive Officer)	March 22, 2024
<u>/S/ DAVID J. NOBLE</u> David J. Noble	Chief Financial Officer (Principal Financial and Accounting Officer)	March 22, 2024
<u>/S/ MITCHELL I. QUAIN</u> Mitchell I. Quain	Director	March 22, 2024
<u>/S/ MICHAEL A. CUNNION</u> Michael A. Cunnion	Director	March 22, 2024
<u>/S/ JOHN W. SAYWARD</u> John W. Sayward	Director	March 22, 2024
<u>/S/ JOHN W. GILDEA</u> John W. Gildea	Director	March 22, 2024

REVOLVING CREDIT LOAN AGREEMENT

This Revolving Credit Loan Agreement is entered into as of the 5th day of December 2023, by and between Glenbrook Building Supply, Inc., a Delaware corporation; EdgeBuilder, Inc., a Delaware corporation; and Premier Bank, a Minnesota corporation.

In consideration of the mutual agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I. Definitions

Section 1.01 Definitions. For purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

- (a) the terms defined in this Article have the meanings assigned to them in this Article, and include the plural as well as the singular; and
- (b) all accounting terms not otherwise defined herein shall have the meanings assigned to them in accordance with GAAP.

“Accounts Receivable” means any and all accounts owed to Borrowers by their customers that, in accordance with GAAP, are required to be included in the accounts receivable account reflected on Borrowers’ balance sheets.

“Advance” means an advance of credit by the Bank to one or both of the Borrowers in the form of a loan pursuant to Section 2.01.

“Agreement” means this Revolving Credit Loan Agreement.

“Bank” means Premier Bank, a Minnesota corporation, its participants, successors and assigns.

“Borrowers” means Glenbrook Building Supply, Inc., a Delaware corporation, and EdgeBuilder, Inc., a Delaware corporation. Each of the Borrowers may be referred to individually herein as a “Borrower”.

“Borrowing Base” means the sum of the following, as shown on the Borrowers’ most recent Borrowing Base Certificate:

Seventy-five percent (75%) of Borrowers’ Eligible Accounts Receivable,

plus,

Fifty percent (50%) of Borrowers’ Eligible Inventory,

"Borrowing Base Certificate" means the certificate attached hereto as Exhibit A as completed and certified to by Borrowers from time to time. The Borrowing Base Certificate may be amended or modified from time to time by the Bank.

"Credit Documents" means this Agreement, the Revolving Note, the Security Agreements, the Security and Control Agreement, the Guaranty, all financing statements, all other documents described in Section 3.01 hereof, and any other documents or agreements executed by Borrowers or Guarantor in favor of Bank in connection with the transaction contemplated by this Agreement.

"Current Assets" means the aggregate amount of assets of the Borrowers that in accordance with GAAP may be properly classified as current assets, after deducting adequate reserves where proper, but in no event including any real estate.

"Current Liabilities" means (i) all Debt of the Borrowers due on demand or within one year from the date of determination thereof, and (ii) all other items (including taxes accrued as estimated) which, in accordance with GAAP, may be properly classified as current liabilities of the Borrowers.

"Current Ratio" means the Current Assets of the Borrowers divided by the Current Liabilities of the Borrowers.

"Date of Final Maturity" means the Date of Final Maturity as defined in the Revolving Note, as such date may be modified or extended from time to time.

"Debt" means the sum of (i) all items of indebtedness or liability of the Borrowers which in accordance with GAAP would be included in determining total liabilities as shown on the liabilities side of a balance sheet on the date as of which Debt is to be determined, plus (ii) indebtedness secured by any mortgage, deed of trust, assignment, security interest or other lien on property of the Borrowers whether or not the indebtedness secured thereby shall have been assumed, plus (iii) guaranties, endorsements (other than for purposes of collection in the ordinary course of business) and other contingent obligations of the Borrowers.

"Debt Service Coverage Ratio" means, for any calendar year: (A) the net income of the Borrowers for the calendar year, plus the Borrowers' allowable depreciation and amortization for the calendar year, plus interest payments actually paid by Borrowers on any Debt during such calendar year, plus income tax payments actually paid with respect to the Borrowers' income for such calendar year, divided by (B) the total amount of principal and interest payments that were due on all Funded Debt of the Borrower during such calendar year.

"Eligible Accounts Receivable" means the outstanding amount of all Accounts Receivable except the following: (i) any Account Receivable that is not paid in full within 90 days after the

date of the original invoice to the customer; (ii) any Account Receivable owed by one of the Borrowers to the other; (iii) any Account Receivable as to which the account debtor or other obligor disputes liability or makes any claim; (iv) any Account Receivable owed by any officer, manager, governor, member, partner, director or shareholder of the Borrowers or any of their relatives or any partnership, corporation, company, association, joint venture or other business entity wholly owned or controlled directly or indirectly by any of them or any of their relatives; (v) any Account Receivable owed by any person or entity as to whom a known petition in bankruptcy or other application for relief is filed under any bankruptcy, reorganization, receivership, moratorium, insolvency or similar law; (vi) any Account Receivable known to be owed by any person or entity who makes an assignment for the benefit of creditors, becomes

insolvent, fails, suspends business, or goes out of business; (vii) any Account Receivable owed by the United States government or any agency of the United States government; (viii) consignment receivables; (ix) bonded receivables; (x) any Account Receivable owed by any person or entity located outside the United States of America; (xi) any account receivable for goods which have not been shipped or work which has not been fully performed; and (xiii) any Account Receivable in which the Bank does not have a perfected security interest constituting a first lien. In the event that either of the Borrowers owes any amount to any person or entity that owes an Account Receivable to one of the Borrowers, such amount owed by the Borrowers shall be deducted from that portion of the Account Receivable which would otherwise qualify as an Eligible Account Receivable and only the difference thereof shall be considered an Eligible Account Receivable. Furthermore, if more than fifty percent (50%) of all of the Accounts Receivable owed by any one account debtor are not Eligible Account Receivables because they fail to satisfy the requirement set forth in subparagraph (i) above, then all Accounts Receivable owed by such account debtor shall be excluded from the definition of Eligible Account Receivable.

“Eligible Equipment” means all Equipment owned by the Borrowers, except the following: (i) Equipment that is not located in the State of Minnesota or the State of Wisconsin (unless the Bank otherwise consents in writing); (ii) Equipment that is not in the possession or control of the Borrowers; and (iii) any Equipment in which the Bank does not have a perfected security interest constituting a first lien. For the purpose of this Agreement, all equipment shall be valued at the lesser of (x) cost (less any depreciation allowed or allowable in accordance with GAAP) or (y) fair market value.

“Eligible Inventory” means the weighted average cost of such Inventory of the Borrowers as the Bank, in its sole discretion, shall deem eligible, computed on a first-in, first-out basis in accordance with GAAP. Without limiting the discretion of the Bank to consider any Inventory not to be Eligible Inventory, and notwithstanding any earlier classification of eligibility, the following Inventory shall not be considered Eligible Inventory: (i) any Inventory that is not available to be used or consumed by the Borrowers in the normal and ordinary course of their businesses; (ii) any Inventory which does not meet all standards imposed by any governmental agency having regulatory authority over such Inventory, its use or sale; (iii) any Inventory which is not located in the State of Minnesota or the State of Wisconsin; (iv) any Inventory which is obsolete, or which is not usable by the Borrowers in the normal and ordinary course of their businesses; (v) any Inventory which is on consignment to or from any other person or entity, or which has been sold or otherwise delivered, transferred or conveyed to any other person or

entity, or which is subject to any bailment or lease; (vi) any finished goods Inventory or work-in-process Inventory; and (vii) any Inventory in which the Bank does not have a perfected security interest constituting a first lien.

“Environmental Laws” means all federal, state, local and foreign laws, statutes, codes, ordinances, regulations, requirements, rules and common law relating in any way to any hazardous or toxic materials or the protection of the environment.

“Equipment” means any and all equipment, including but not limited to motor vehicles and other rolling stock, used in connection with the operation of the Borrowers’ businesses.

“Event of Default” has the meaning specified in Section 6.01.

“Fixed Charge Coverage Ratio” means for any calendar year: (A) the net income of Borrower for the calendar year, plus Borrower’s allowable depreciation and amortization for the calendar year, plus interest payments actually paid by Borrower during such calendar year on Funded Debt, less all dividends, redemptions, repurchases and other distributions made to the equity owners of the Borrower, divided by (B) the annual debt service on all Funded Debt.

“Funded Debt” means all indebtedness of the Borrower for borrowed money and capital leases; all other indebtedness of the Borrower evidenced by notes, bonds, debentures and similar obligations; and all other interest-bearing indebtedness of the Borrower, including but not limited to, all indebtedness to the Bank under the Revolving Note.

“GAAP” means generally accepted accounting principles consistently applied. Except as otherwise approved by the Bank in writing, all financial reporting, financial record keeping, and financial calculations in connection with this Agreement shall be made on the basis of accounting principles, methods, elections and estimates that are consistent with the accounting principles, methods, elections and estimates used in the financial statements described in Section 4.04 of this Agreement.

“Guarantor” means Star Equity Holdings, Inc., a Delaware corporation.

“Guaranty” has the meaning specified in Section 3.01.

“Inventory” means any and all materials, supplies, goods, and other items and things that are held by Borrowers for sale to their customers in the normal and ordinary course of business which, in accordance with GAAP, are required to be included in the inventory account reflected on Borrowers’ balance sheets. For the purpose of this Agreement, inventory shall be valued at the weighted average cost and shall be computed on a first-in, first-out basis in accordance with GAAP.

“Line of Credit” has the meaning specified in Section 2.01.

“Permitted Liens” means (i) liens for taxes, assessments or similar charges, incurred in the ordinary course of business and which are not yet due and payable, (ii) pledges or deposits made

in the ordinary course of business to secure payment of workers' compensation, or to participate in any fund in connection with workers' compensation, unemployment insurance, old-age pensions or other social security programs, (iii) liens of mechanics, materialmen, warehousemen, carriers, or other like liens, securing obligations incurred in the ordinary course of business that are not yet due and payable and liens of landlords securing obligations to pay lease payments that are not yet due and payable or in default, (iv) good-faith pledges or deposits made in the ordinary course of business to secure performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases, not in excess of the aggregate amount due thereunder, or to secure statutory obligations, or surety, appeal, indemnity, performance or other similar bonds required in the ordinary course of business, (v) encumbrances consisting of zoning restrictions, easements or other restrictions on the use of real property, minor defects or irregularities in title, and other similar liens, none of which materially impairs the use of such property or the value thereof, and none of which is violated in any material respect by existing or proposed structures or land use, (vi) liens arising from operating leases and precautionary UCC financing statement filings in respect thereof and equipment or other materials that are not owned by the Borrowers located on the premises of the Borrowers (but not in connection with, or as part of, the financing thereof) from time to time in the ordinary course of business and consistent with current practices of the Borrowers and the precautionary UCC financing statement filings in respect thereof, and (vii) any lien or encumbrance based on a *de minimus* claim (less than \$1,000) that are timely removed.

"Revolving Note" has the meaning specified in Section 2.01.

"Reserve Account" has the meaning specified in Section 3.01.

"Security Agreements" has the meaning specified in Section 3.01.

"Security and Control Agreement" has the meaning specified in Section 3.01.

"Working Capital" means the difference of Current Assets of the Borrower minus the Current Liabilities of the Borrower, as determined in accordance with GAAP.

ARTICLE II Amount and Terms of Advances

Section 2.01 Advances. Subject to the provisions of this Agreement (including, but not limited to the Borrowing Base restrictions set forth in Section 2.02 hereof), the Bank shall make Advances to the Borrower from time to time during the period from the date hereof to the Date of Final Maturity, or the earlier date of termination of the Line of Credit pursuant to Section 6.02, in an aggregate amount not to exceed at any time outstanding Six Million and 00/100ths Dollars (\$6,000,000.00) (the "Line of Credit"). Each Advance shall be in the amount of \$1,000.00 or an integral multiple thereof. Within the limits of the Line of Credit, the Borrowers may obtain Advances, prepay, and obtain new Advances under this Section 2.01. The obligation to repay the Advances and to pay interest and other charges, fees and expenses thereon is evidenced by the Borrowers' \$6,000,000.00 Revolving Credit Promissory Note dated the date

renewals and replacements thereof, called the "Revolving Note").

Each Borrower shall have the right to request and receive Advances hereunder up to the full Borrowing Base, and each Borrower shall be jointly and severally liable for the repayment of entire balance of the Revolving Note regardless of whether not or not it received some, all or none of the proceeds of the Advances.

Section 2.02 Borrowing Base, Borrowing Base Certificate. The aggregate outstanding principal amount of the debt evidenced by this Agreement must never exceed the lesser of the following amounts: (i) \$6,000,000.00, or (ii) the then-current Borrowing Base.

Within 15 days of the end of each calendar month, Borrowers shall provide Bank with (i) a Borrowing Base Certificate setting forth all information required by the Bank for the purpose of calculating the Borrowing Base, (ii) one or more aging reports detailing the status of the Borrowers' Accounts Receivable, and (iii) internally prepared financial statements detailing the financial performance of the Borrowers for the previous calendar month and on a year-to-date basis.

The Borrowing Base Certificates and aging reports shall be completed with amounts determined as of the last day of the previous month and shall be signed by the Borrowers. A sample Borrowing Base Certificate is attached hereto as Exhibit A and incorporated herein by reference. The aging report shall take such form and contain such information as the Bank shall require, in the Bank's sole discretion. Bank shall have the right to require modifications to the form of the Borrowing Base Certificate and the aging report at any time and from time to time. Unless Bank objects to the form or content of a Borrowing Base Certificate, which objection may be made at any time and from time to time, the Borrowing Base will be calculated based on the information set forth in the most recent Borrowing Base Certificate.

Section 2.03 Making the Advances. Each Advance shall be made on the request of a Borrower, which request may be made (i) in writing, (ii) by telephone, or (iii) pursuant to the Bank's established on-line banking procedures. On-line requests shall be processed in accordance with the Bank's on-line banking procedures, as such procedures may be amended or modified from time to time. All written and telephonic requests from a Borrower to the Bank shall specify the date of the requested Advance and the amount thereof and shall be received by the Bank no later than noon of the day on which the Advance is to be made. Upon fulfillment of the terms and conditions of this Agreement, the Bank shall disburse the amount of any requested Advance by crediting the same to one of the Borrowers' checking accounts at the Bank or in such other manner as the Bank and requesting Borrower may from time to time agree. Any request for an Advance shall be deemed to be a representation that to the best of the Borrowers knowledge, the statements set forth in Sections 3.02(c) and 3.02(d) are correct as of the date of such request.

In addition to the foregoing, Advances may also be made in accordance with any "sweep" agreement now or hereafter executed by one or both of the Borrowers and Bank; provided, however, that if any such sweep agreement is signed, then such sweep agreement shall

provide that the sweep account shall have a minimum balance of \$100,000.00 before any funds from such account are applied to the Line of Credit.

Section 2.04 Use of Proceeds. Subject to the terms of this Agreement, the Borrowers may use the proceeds of the Advances for any lawful business purpose. It is anticipated that the Borrowers will use the Line of Credit for working capital needs, or to fund acquisitions.

Section 2.05 Payment, Balance and Setoff.

- (a) Borrowers shall make monthly interest payments to Bank as required by the terms of the Revolving Note.
- (b) All principal, interest and other amounts due under the Revolving Note and the Credit Documents shall, if not paid sooner, be due and payable on the Date of Final Maturity. From time to time at the request of Borrowers, the Bank may (but shall not be obligated to) extend the Date of Final Maturity.
- (c) Borrowers agree that the amount shown on the books and records of the Bank as being the unpaid balance of principal, accrued interest and other charges, fees and expenses under the Revolving Note and this Agreement shall be prima facie evidence thereof.
- (d) Borrowers agree that all payments due on the Revolving Note shall be automatically deducted from an account maintained with the Bank by one or both of the Borrowers. Borrowers agree to sign any and all documents necessary to authorize such payments. If the funds in such account are not sufficient to make any payment, Borrower shall make such payment from other sources. If the Borrower fails to cover any shortfall from other funds, then Bank may collect interest and other charges, fees and expenses under the Revolving Note and this Agreement by charging any of Borrowers' accounts at the Bank; provided, however, that Bank shall first provide the Borrower at least two (2) business days notice of its intent to charge such amounts to Borrower's account(s) with the Bank.

Section 2.06 Origination Fee/Document Review Fee. Borrowers agree to pay Bank an origination fee in the amount of \$10,000.00 in connection with the loan evidenced by this Agreement. Borrowers also agree to pay Bank a document review fee in the amount of \$750.00 in connection with the loan evidenced by this Agreement. The fees shall be considered fully earned on the date hereof and Borrowers shall not be entitled to a refund or rebate of any portion of the fees for any reason. The fees set forth above shall be in addition to all amounts paid by Borrowers to Bank in accordance with Section 7.03 hereof (including, without limitation, any attorney fees).

Section 2.07 Depository Requirements. During the entire term of this Agreement, Borrowers shall maintain all of their checking, savings, and other depository and operating accounts with the Bank, unless Bank provides a waiver in writing to allow for an exception. If

either Borrower fails to comply with the requirement of this Section 2.07, the Bank may increase the rate at which interest accrues on the unpaid principal balance of the Revolving Note by two percent (2%) per annum.

ARTICLE III. Conditions

Section 3.01 Required Documents. Each Advance shall be subject to the condition precedent that the Bank shall have received prior thereto all of the following, in form and substance acceptable to the Bank:

- (a) The Revolving Note, properly executed by the Borrower.
- (b) Security agreements (the "Security Agreements") covering all business assets of the Borrowers, which Security Agreements must be properly executed by the

- (c) All financing statements, pledge or lien cards, termination statements, landlords' waivers, and other writings, properly executed, which are deemed by the Bank to be necessary or desirable to grant the Bank a perfected security interest constituting a first lien on the property described in the Security Agreements.
- (d) One or more certificates of insurance covering the tangible property described in the Security Agreements, in such amounts, against such risks and in such companies as shall be mutually agreeable to the Bank and Borrowers, which certificates shall name the Bank as lender loss payee and shall provide for at least 30 days' prior written notice to the Bank of any cancellation or modification of such insurance. Borrower shall also provide proof of all other insurance required by Section 5.05.
- (e) Certificates of good standing for the Borrowers and Guarantor within their place or state of domestication.
- (f) Proof of Borrowers' authority to transact business in the State of Minnesota and the State of Wisconsin.
- (g) An initial Borrowing Base Certificate and accounts receivable aging report properly completed and executed by the Borrower.
- (h) The Guaranty executed by Guarantor in favor of Bank on even date herewith.
- (i) The Security and Control Agreement executed by the Borrowers in favor of the Bank on even date herewith, which Security and Control Agreement shall grant the Bank a security interest in a money market account with a minimum balance

of \$400,000.00 established by the Borrowers with the Bank ("Reserve Account"). The Bank may draw against the Reserve Account upon the occurrence of an Event of Default hereunder, after giving the Borrower notice at least two (2) business days prior to such draw.

- (j) Such other documents, agreements and instruments as the Bank shall reasonably request.

Section 3.02 Other Conditions. Each Advance shall be subject to the further conditions precedent that:

- (a) The Bank shall have received all certificates, submittals and other items required to be delivered or mailed by the Borrowers to Bank pursuant to the Credit Documents; and
- (b) The most recent Borrowing Base Certificate shall show, to the satisfaction of the Bank, that the sum of the aggregate outstanding principal amount of all prior Advances plus the amount of the requested Advance does not, and will not, exceed the Borrowing Base; and
- (c) The representations and warranties contained in Article IV are correct as of the date of such Advance as though made as of such date, except to the extent that such representations and warranties relate solely to an earlier date; and
- (d) No event has occurred, or would result from such Advance, which constitutes an Event of Default or would constitute an Event of Default with notice or passage of time or both.

ARTICLE IV. Representations and Warranties

The Borrowers represent and warrant to the Bank as follows:

Section 4.01 Authority to Transact Business. Borrowers and Guarantor are corporations duly formed and validly existing under the laws of the State of Delaware. Borrowers and Guarantor have authority to transact business in the State of Minnesota and the State of Wisconsin. In addition, Borrowers and Guarantor are duly licensed and qualified to transact business in all other jurisdictions where the character of the property owned or leased or the nature of the business transacted makes such licensing or qualification necessary. Borrowers and Guarantor have all requisite power and authority to own their property and carry on their businesses. Borrowers and Guarantor have all requisite power and authority to execute, deliver and perform all of their obligations under the Credit Documents.

and Guarantor of the Credit Documents have been duly authorized by all requisite action and do not (a) require any consent or approval of any person or entity or governmental authority, (b) violate any law, rule, regulation, order, writ, injunction or decree, (c) result in a breach of or constitute a default under any contract, agreement or other writing to which a Borrower or the Guarantor is a party or by which a Borrower, the Guarantor, any property of a Borrower, or any property of the Guarantor may be bound or affected, or (d) result in, or require the creation or imposition of, any mortgage, deed of trust, assignment, security interest or other lien, interest, encumbrance, claim or charge of any nature, except in favor of the Bank, upon or with respect to any property of the Borrowers or Guarantor.

Section 4.03 Legal Agreements. The Credit Documents constitute the legal, valid and binding obligations of the Borrowers and Guarantor and are enforceable in accordance with their respective terms, subject to bankruptcy, insolvency and similar laws, statutes of limitation and principles of equity.

Section 4.04 Financial Statements. The Borrowers have provided the following financial statements to the Bank: financial statements for period ending **March 31, 2023**. Said statements, including all schedules and notes pertaining thereto, were prepared in accordance with GAAP and fully and fairly present the financial condition of the Borrowers on the dates thereof and the results of their operations for the periods covered thereby.

Section 4.05 No Adverse Change. There has been no material adverse change in the business, property or condition (financial or otherwise) of the Borrowers or Guarantor since the date of the latest financial statements delivered to Bank in accordance with Section 4.04 or Section 5.01 hereof.

Section 4.06 Titles and Liens. Borrowers have good title to all of the property reflected in the latest balance sheets delivered to Bank in accordance with Section 4.04 or Section 5.01 hereof, free and clear of all mortgages, deeds of trust, assignments, security interests and other liens, interests, encumbrances, claims and charges, other than Permitted Liens.

Section 4.07 Taxes. The Borrowers have filed all required tax returns, have paid all due and payable taxes, assessments and other governmental charges levied or imposed upon it or upon its income or profits or upon any of its property, and have made adequate provision for the payment of such taxes, assessments and other charges accruing but not yet due and payable.

Section 4.08 Litigation. There is no pending or threatened notice, claim, litigation, proceeding or investigation against or affecting the Borrowers, the Guarantor, any property of the Borrowers, or any property of the Guarantor, whether or not covered by insurance, that would involve the payment by a Borrower or the Guarantor of an amount that would be reasonably likely to have a material adverse effect on the financial condition, business, prospects, property or operations of a Borrower or the Guarantor, and there is no basis for any such order, notice, claim, litigation, proceeding or investigation.

Section 4.09 Margin Stock. Borrowers are not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System), and no part of the proceeds of any Advance will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock.

Section 4.10 Environmental Matters.

(a) Borrowers are not in violation of any Environmental Law; and

- (b) No disposal or release of any hazardous or toxic material has occurred on, from or under any property owned, operated or controlled by a Borrower, except as may have occurred in accordance with all applicable Environmental Laws; and
- (c) There has been no treatment, manufacturing, refining, handling or storage of any hazardous or toxic material at any property owned, operated or controlled by a Borrower, except as may have occurred in accordance with all applicable Environmental Laws; and
- (d) No litigation, investigation or administrative action has been commenced or is pending or threatened; no settlement has been reached with any public or private party or parties; and no order has been issued that relates in any way to any alleged or actual presence, disposal or release of any hazardous or toxic material or any violation of any Environmental Law with respect to any property owned, operated or controlled by a Borrower; and
- (e) Borrowers have filed all notices and permit applications required to be filed under the Environmental Laws with respect to their businesses, property and operations; and
- (f) Borrowers have no known contingent liability with respect to their businesses, property or operations in connection with any hazardous or toxic material or any Environmental Law.

ARTICLE V. Covenants

During the entire term of this Agreement, Borrowers shall comply with the following requirements:

Section 5.01 Financial Statements and Other Information. Borrowers shall deliver to the Bank, in form and substance acceptable to the Bank:

- (a) Within 120 days of the end of each calendar year, Borrowers shall provide Bank with the audited financial statements of Guarantor (with a supporting schedule for

the Borrowers). The financial statements shall contain a balance sheet listing the assets, debts and equity of the Guarantor as of the last day of the calendar year to which it relates. The financial statements shall also contain an income statement showing the income and expenses of Guarantor for the year in question. All items submitted in accordance with this provision shall be prepared by a certified public accountant acceptable to the Bank in accordance with GAAP; whereas the Bank agrees that the selection of **Wolf & Company, PC** and its successors as such certified public accountant shall be acceptable to the Bank. The supporting schedules for each Borrower shall contain sufficient detail to allow the Bank to understand and measure the financial performance of each Borrower. Without limiting the preceding sentence, it is agreed that the supporting schedule will set forth the assets and liabilities of each Borrower as of the last day of each calendar year, and the income and expenses of each Borrower for the calendar year in question.

- (b) Within 120 days of the end of each calendar year, Borrowers shall submit a certification, in form and substance satisfactory to the Bank, stating that the

Borrowers are in compliance with all of the covenants and requirements of this Agreement.

- (c) As promptly as practicable (but in any event not later than 5 days) after the Borrowers obtain knowledge thereof, written notice of all orders, notices, claims, litigation, proceedings and investigations against or affecting a Borrower or any property of a Borrower of the type described in Section 4.08.
- (d) As reasonably timely and practical, but prior to the expiration thereof, proof of payment of the annual premiums for the insurance coverages required by Sections 5.05 and 3.01(d).
- (e) As promptly as practicable (but in any event not later than 5 business days) after any officer or manager of a Borrower obtains knowledge of the occurrence of any event which constitutes an Event of Default or would constitute an Event of Default with notice or passage of time or both, written notice of such occurrence, together with a detailed statement by the Borrowers of the steps being taken by the Borrowers to cure the Event of Default.
- (f) Within 10 days after the Bank's request therefor, such other information respecting the condition (financial or otherwise), business and property of the Borrowers as the Bank may from time to time reasonably request.

Section 5.02 Books, Records and Inspections. Borrowers shall keep accurate books and records in which true and complete entries will be made in accordance with GAAP. Upon request of the Bank, the Borrowers, during normal business hours, shall give any representatives of the Bank access to and permit such representatives to examine and copy upon request identifying what is to be copied, all books, records and other writings in their possession, to

inspect their property and to discuss their finances, accounts, property and businesses with any of their principal employees.

The Bank shall also have the right to carry out on-site inspections on any property owned or operated by Borrowers, at a reasonable mutually agreed upon time. As of the date of this Agreement, Bank anticipates conducting inspections once per calendar year. Borrowers agree to provide Bank with reasonable access to all of their properties for the purpose of allowing the Bank to complete such inspections.

Section 5.03 Taxes and Other Claims. Borrowers shall file when due all required tax returns, shall pay when due all taxes, assessments and other governmental charges levied or imposed upon the Borrowers or upon the Borrowers' income or profits or upon any of the Borrowers' property, and shall pay when due all lawful claims for labor, materials and supplies which, if unpaid, might become a lien or charge upon any property of the Borrowers; provided, that the Borrowers shall not be required to pay any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings. Notwithstanding the foregoing, in the event a Borrower elects to contest a tax, assessment, charge or claim, such Borrower shall (upon written request by the Bank) provide Bank with such security as the Bank shall reasonably require up to the amount assessed, charged, or claimed to ensure that such tax, assessment, charge or claim (and any costs or attorney fees attributable thereto) can be paid in full in the event such Borrower loses its challenge to such tax, assessment, charge or claim.

Section 5.04 Maintenance of Properties. Borrowers shall keep and maintain their inventory, equipment, real estate and other property necessary or useful in the Borrowers' businesses in good condition and repair and shall pay when due all rental and mortgage payments due on such property; provided, that nothing in this Section shall prevent the Borrowers from discontinuing the operation and maintenance of any such property if such discontinuance is desirable in the conduct of the Borrowers' businesses and does not disadvantage the Bank.

Section 5.05 Insurance. Borrowers shall obtain and maintain insurance policies covering such risks as the Bank shall require, in the Bank's reasonable discretion. Such insurance policies shall include, but not be limited to, (i) liability insurance; fire, hazard and extended coverage insurance on all of the Borrowers' assets; (ii) necessary workers' compensation insurance; (iii) commercial general liability insurance, including coverage for property damage, bodily injury, medical expenses, personal injury (including defamation), and advertising injury, containing minimum limits per occurrence of not less than \$1,000,000.00 per occurrence and \$2,000,000.00 aggregate and naming Bank as an additional insured, and (iv) all other coverages as are consistent with industry practice. Such policies shall be maintained with insurers and shall have such coverage limits as are reasonably acceptable to the Bank. In the event the Borrowers fail to pay any premium on any such insurance, the Bank may do so, and the Borrowers shall reimburse the Bank for any such payment on demand.

person or entity other than the Bank any mortgage, deed of trust, assignment, security interest or other lien on any of their property now owned or hereafter acquired, other than Permitted Liens.

Section 5.07 Guaranties. Borrowers shall not guarantee, endorse, assume or otherwise become directly or contingently liable in connection with any debt, obligation or liability of any other person or entity, except by the endorsement of negotiable instruments by the Borrowers for deposit or collection or similar transactions in the ordinary course of business.

Section 5.08 Sale of Assets. Borrowers shall not sell, lease, assign, transfer or otherwise dispose of all or substantially all of their assets (whether in one or more transactions).

Section 5.09 Corporate Structure. A Borrower shall not (i) consolidate its business with any other person or entity, (ii) merge its business into any other person or entity, or (iii) permit any other person or entity to merge into a Borrower, , in each case without the prior written consent of the Bank.

Section 5.10 Nature of Business. The Borrowers shall not engage in any line of business materially different from that presently engaged in by the Borrowers.

ARTICLE VI Events of Default, Rights and Remedies

Section 6.01 Events of Default. The occurrence of any of the following events shall constitute an "Event of Default":

- (a) Any payment due under the Revolving Note is not paid within five (5) days of the date it is due; or
- (b) Any statement, representation or warranty of a Borrower (or any employee, agent or attorney of a Borrower) to the Bank at any time, including without limitation any statement, representation or warranty made in this Agreement or in any writing contemplated by this Agreement, shall be, or shall become, incorrect or misleading in any material respect when made; or
- (c) A default (other than as described in Section 6.01(a)) shall occur in the performance of this Agreement, the Credit Documents, or any other writings contemplated by this Agreement and such default continues unremedied for a period of 10 business days after the earlier to occur of (x) the date on which such default is known or reasonably should have become known to any officer of any Borrower or (y) the date on which the Bank notified any Borrower of such default; or
- (d) A Borrower shall (i) become insolvent, (ii) make an assignment for the benefit of creditors, (iii) apply for, consent to the application of, or suffer the appointment of

any receiver, trustee or similar officer, or (vi) initiate or have initiated against it any proceeding under any insolvency, bankruptcy, dissolution, liquidation or similar law; or

- (e) A Borrower shall default in the payment of any Debt and such default shall not be cured within any applicable grace or cure period; or
- (f) A judgment or other court order for the payment of money in excess of \$75,000.00 shall be entered against a Borrower; or

- (g) The issuance or filing of any writ, levy, warrant, attachment, garnishment, execution or similar process, not otherwise permitted herein, against any property of a Borrower, or the attachment of any tax lien to any property of a Borrower, and such writ, levy, warrant, attachment, garnishment, execution or similar process remains unpaid, unstayed or undismissed for a period of 14 days from the date thereof; or
- (h) The Guarantor (or anyone purporting to act on behalf of a Guarantor) shall take any action to revoke or terminate any guaranty, liability or agreement in favor of the Bank; or
- (i) Any audit of a Borrower reveals that the Borrowers' actual Eligible Inventory, Eligible Accounts Receivable or Eligible Equipment are materially less than the amounts being reported on the Borrowing Base Certificates.
- (j) The Borrowers' Debt Service Coverage Ratio for any calendar year shall be less than 1.25.
- (k) The Borrowers' Debt-to-Equity Ratio on the last day of each calendar year, as determined by the Bank in its reasonable discretion, shall exceed 1.65.
- (l) The Borrowers' Fixed Charge Coverage Ratio on the last day of each calendar year, as determined by the Bank in its reasonable discretion, shall be less than 1.10.
- (m) The Borrowers shall fail to have at least \$2,000,000.00 in Working Capital.
- (n) The Borrowers shall fail to have a Current Ratio of at least 1.50.

Notwithstanding the foregoing, before the Bank declares an Event of Default under Section 6.01(j-n), Bank agrees to enter into good faith discussions with Borrowers for the purpose of determining if an agreement can be reached with respect to the curing or waiving of such default. The parties hereto shall make a reasonably effort to engage in such discussions within 15 business days of Bank's receipt of knowledge of the default. Provided, however, that nothing in this paragraph shall require the Bank to reach any agreement regarding any such

default and nothing in this paragraph shall limit or impair the Bank's rights and remedies in the event an agreement is not reached.

Section 6.02 Rights and Remedies. Upon the commencement of any proceeding under any bankruptcy law by or against a Borrower, the Line of Credit shall automatically terminate, and all principal, interest, and other charges, fees and expenses under the Revolving Note and this Agreement automatically shall become immediately due and payable in full, all without declaration, presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrowers. Thereafter, the Bank shall be entitled to exercise and enforce its rights and remedies under the Credit Documents, the other writings contemplated hereby, the Uniform Commercial Code, and any other applicable law.

If any other Event of Default has occurred and is continuing, the Bank may exercise any and all of the following rights and remedies:

- (a) The Bank may, by notice to the Borrowers, declare the Line of Credit to be terminated, whereupon the same shall terminate.

- (b) The Bank may declare all principal, interest and other charges, fees and expenses under the Revolving Note and this Agreement to be immediately due and payable in full, whereupon the same shall become immediately due and payable in full, without presentment, demand, protest or other notices of any kind, all of which are hereby expressly waived by the Borrowers.
- (c) The Bank may exercise and enforce its rights and remedies under the Credit Documents, the other writings contemplated hereby, the Uniform Commercial Code and any other applicable law.

Section 6.03 Assignment and Setoff. Borrowers hereby grant the Bank a lien and security interest in all of the Borrowers' present and future property now or hereafter in the possession, control or custody of, or in transit to, the Bank for any purpose, and the balance of every present and future account of the Borrowers with the Bank, and each present and future claim of the Borrowers against the Bank. Such lien and security interest secures all present and future debts, obligations and liabilities of the Borrowers to the Bank. In addition to all other rights and remedies, when or at any time after such debt, obligation or liability becomes due or an Event of Default has occurred, the Bank may foreclose such lien and security interest, and the Bank may offset or charge all or any part of the aggregate amount of such debts, obligations and liabilities against any such property, accounts and claims without notice.

ARTICLE VII

Miscellaneous

Section 7.01 Waiver and Amendment. No provision of any of the Credit Documents can be waived, modified, amended, abridged, replaced, supplemented or terminated, except by a writing executed by the Bank. A waiver shall be effective only in the specific instance and for

the specific purpose given. No delay or failure by the Bank to exercise any right or remedy shall be a waiver thereof, nor shall any single or partial exercise by the Bank of any right or remedy preclude any other exercise thereof or the exercise of any other right or remedy. All rights and remedies of the Bank under this Agreement and any other writing are cumulative and not exclusive.

Section 7.02 Indemnification. The Borrowers agree to indemnify and hold harmless the Bank and the Bank's former, present and future officers, directors, employees, agents, shareholders, affiliates and attorneys, and all of their respective heirs, representatives, successors and assigns, from any and all losses, liabilities (including without limitation strict liability), suits, obligations, fines, damages, judgments, penalties, actions, causes of action, charges, costs and expenses, including but not limited to reasonable attorneys' fees and legal expenses and consultants' fees and expenses, whether based on tort, contract, implied or express warranty, statute, regulation, common law or otherwise, arising out of or related to the presence on, remediation of or release from any property at any time owned, operated or controlled by the Borrowers, including without limitation any building, structure or equipment thereon, of any toxic or hazardous waste, constituent or substance, or in connection with any Environmental Law applicable to any such hazardous or toxic waste, constituent or substance. The provisions of this Section 7.02 shall survive the repayment and termination of the Line of Credit.

Section 7.03 Costs and Expenses. Borrowers agree to pay all expenses actually incurred by Bank in connection with the consideration of the application for the Line of Credit, the preparation of the Credit Documents, the closing of the Line of Credit, and the supervision of loan disbursements. Such amounts may include, but shall not be limited to, loan brokerage fees, attorney fees, appraisal fees, closing fees, documentary or tax stamps, recording and filing fees, etc. Borrowers also agree to reimburse the Bank for all costs and attorney fees incurred by the Bank in the enforcement of this Agreement or the Credit Documents. Borrowers agree to pay such amounts to Bank on demand. Borrowers further agree that such expenses are in addition to the origination fee and document review fee paid to the Bank in connection with the Line of Credit.

Section 7.04 Notices. All notices required by this Agreement shall be in writing and shall be delivered in person or by overnight courier, addressed as follows:

If to the Borrowers:	EdgeBuilder, Inc. Glenbrook Building Supply, Inc. 5215 Gershwin Ave. N. Oakdale, Minnesota 55128 Attention: Daniel Koch
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If to the Bank:	Premier Bank 1875 W. Highway 36 Roseville, MN 55113 Attention: Brian L. Carnes
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to the other party complying as to delivery with the terms of this Section. All such notices will be deemed to have been delivered (x) upon receipt when delivered personally or (y) one business day after deposit with a nationally recognized overnight delivery service, in each case properly addressed to the party to receive the same.

Section 7.05 Binding Effect and Assignment. The Credit Documents shall bind and benefit the parties hereto and thereto and their respective successors and assigns, except that the Borrowers shall have no right to assign any of their rights hereunder or thereunder or any interest herein or therein without the prior written consent of the Bank, and any assignment in violation of this sentence shall be void. If any provision or application of any of the Credit Documents is held unlawful or unenforceable in any respect, such illegality or unenforceability shall not affect the other provisions or applications which can be given effect, and this Agreement and such writings shall be construed as if the unlawful or unenforceable provision or application had never been contained herein or therein or prescribed hereby or thereby.

Section 7.06 Jurisdiction and Venue. Borrowers consent to the personal jurisdiction of the state and federal courts located in the State of Minnesota and State of Wisconsin in connection with any controversy related in any way to any of the Credit Documents or any transaction or matter relating to any of the Credit Documents, waives any argument that venue in such forums is not convenient, and agrees that any litigation initiated by the Borrower against the Bank in connection with any of the Credit Documents or any transaction or matter relating to any of the Credit Documents shall be venued in the District Court of Ramsey County, Minnesota.

Section 7.07 Headings. Article and Section headings in this Agreement are for convenience of reference and shall not limit the scope of the particular Articles or Sections to which they refer.

Section 7.08 Governing Law. This Agreement and the writings contemplated by this Agreement shall be governed by and construed in accordance with the internal laws of the State of Minnesota (excluding conflict of law rules).

Section 7.09 Compliance Agreement. In consideration of the Bank extending credit to the Borrowers, the Borrowers agree that they will fully cooperate with Bank to adjust for any clerical errors that occur in the Credit Documents or any other contract, statement or agreement executed in connection therewith. Borrowers, upon receipt of a request from Bank, shall execute any and all corrective documents within 20 days of receipt of the request. If the Borrowers fail to execute such corrective documents within the time period set forth above, Borrowers shall be considered in default hereunder and the Bank shall have the right to exercise all rights and remedies provided by this Agreement and the other Credit Documents. In addition, Borrowers shall be liable to the Bank for all losses, costs and damages (including attorney fees incurred in collection thereof) that are incurred by the Bank by reason of such failure.

Section 7.10 Joint and Several Liability. Each of the Borrowers shall be jointly and severally liable for all obligations arising under this Agreement and the other Credit Documents. A default by any one Borrower shall be deemed a default by both Borrowers.

Section 7.11 Replaces Previous Line of Credit. This Agreement and all of the documents executed in connection with the revolving credit loan evidenced hereby shall completely replace the documents evidencing and securing that certain line of credit in the maximum principal amount of \$4,000,000.00 previously granted by Lender to Borrowers on or about August 16, 2023. Such \$4,000,000.00 line of credit shall be paid to \$0.00 with the proceeds hereof and closed.

BORROWERS REPRESENT, WARRANT AND CERTIFY TO THE BANK THAT

THEY HAVE READ ALL OF THIS AGREEMENT AND UNDERSTAND ALL OF ITS PROVISIONS.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed the day and year first above written.

BORROWERS:

Glenbrook Building Supply, Inc. a Delaware corporation
By: /s/ Ronald A. Schumacher
Ronald A. Schumacher
Its: Executive Chairman/President

Edgebuilder, Inc. a Delaware corporation
By: /s/ Ronald A. Schumacher
Ronald A. Schumacher
Its: Executive Chairman/President

Premier Bank, a Minnesota corporation
By: /s/ Brian L. Carnes
Brian L. Carnes

BANK:

Its: President – Roseville Office ad Chief Credit Officer

EXHIBIT A
(Borrowing Base Certificate)

4202603-4

GLENBROOK BUILDING SUPPLY/EDGEBUILDER BORROWING BASE CERTIFICATE

To: Premier Bank 1875 W. Highway 36 Roseville, MN 55113	From: Glenbrook Building Supply, Inc. EdgeBuilder, Inc. 5215 Gershwin Ave. N. Oakdale, MN 55128-1326
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Pursuant to the Revolving Credit Loan Agreement between Premier Bank (Bank) and Glenbrook Building Supply, Inc. and EdgeBuilder Inc. (Borrowers) dated December 5, 2023, and any amendments thereto ("Agreement"), Borrowers hereby (i) certify that all warranties and representations made in the Agreement are true and correct as of the date hereof, (ii) certify that there has been no material adverse change in the Borrowers' financial conditions since the date of the Agreement, and (iii) certify and warrant that as of _____, 20____ ("Reporting Date") Borrowers hold, subject to the first priority security interest of the Bank, the following collateral:

Borrowing Base Values:

1.)	Accounts Receivable:		\$
2.)	Less A/R over 90 days:		
3.)	Eligible Accounts Receivable		
	Eligible A/R (line 3) x 75%	X	0.75
4.)	A/R value for Borrowing Base Certificate:		
5.)	Equipment value net of depreciation		
6.)	Less balance of other loans against collateral:		
7.)	Eligible equipment value		
	Eligible equipment (line 7) x 50%:	X	0.50
8.)	Equipment value for Borrowing Base Certificate:		
9.)	Inventory value:		
	Eligible Inventory (line 9) x 50%:	X	0.50
10.)	Inventory value for Borrowing Base Certificate:		
11.)	Amount available for line of credit (sum lines 4, 8 & 10):		

Loan Value:

12.)	Loan limit (Line 11, or \$4,000,000, whichever is <u>less</u>)	
13.)	Loan balance as of Reporting Date:	-
14.)	Net available (line 12 minus line 13)	-
Prepared by	_____	Date: _____
Reviewed by	_____	Date: _____

(b) Time and Amount of Payments. Beginning on January __, 2024, and continuing on the same day of each and every month thereafter, Borrowers shall make monthly interest payments to the Lender. Each interest payment shall be equal to all accrued and unpaid interest under this Note as of each payment date. Borrowers shall continue to make such monthly interest payments until December __, 2024 ("Date of Final Maturity"), at which time the full principal balance hereof, and all accrued interest thereon, and all other sums due hereunder, shall be fully due and payable.

(c) Application of Payments. All payments received by Lender for application to the debt evidenced by this Note shall be applied to the following (in such order of application as the Lender shall elect from time to time): (i) accrued and unpaid interest, (ii) escrow payments (if any) due under any instrument securing this Note, (iii) the principal balance of this Note, (iv) late fees (if any) due under this Note, (v) prepayment fees (if any) due under this Note, (vi) any and all reasonable costs of collection and attorney fees (plus interest thereon) incurred by the Lender by reason of a default under this Note, and (vii) any and all amounts advanced by Lender pursuant to the terms of any instrument securing this Note (plus interest thereon).

BALLOON PAYMENT NOTICE

THE FINAL PAYMENT DUE HEREUNDER ON THE DATE OF FINAL MATURITY IS A BALLOON PAYMENT. AT THAT TIME, BORROWERS MUST REPAY THE ENTIRE PRINCIPAL BALANCE, ALL UNPAID INTEREST AND ALL OTHER AMOUNTS DUE HEREUNDER. LENDER MAY, BUT IS UNDER NO OBLIGATION TO, REFINANCE THE LOAN AT THAT TIME. BORROWERS, THEREFORE, MAY BE REQUIRED TO MAKE THE PAYMENT OUT OF OTHER ASSETS THAT THE BORROWERS MAY OWN, OR THE BORROWERS MAY HAVE TO FIND A BANK THAT IS WILLING TO LEND THE MONEY TO THE BORROWERS. IF BORROWERS REFINANCE THIS LOAN AT MATURITY, BORROWERS MAY HAVE TO PAY SOME OR ALL OF THE CLOSING COSTS NORMALLY ASSOCIATED WITH A NEW LOAN.

3. LOAN DOCUMENTS. This Note and the documents described below, which have been executed in connection herewith, may herein be collectively referred to as the "Loan Documents":

- (a) Security Agreements executed by the Borrowers in favor of the Lender on even date herewith.
- (b) Security and Control Agreement executed by Borrowers and Lender on even date herewith.
- (c) Revolving Credit Loan Agreement executed by Borrowers and Lender on even date herewith.

LEASE AGREEMENT

THIS LEASE AGREEMENT (this "Lease") is made this 1st day of November, 2023 (the "Commencement Date"), by and between **791 ROSE DRIVE, LLC**, a Delaware limited liability company with a mailing address of 53 Forest Avenue, Old Greenwich, Connecticut 06870 ("Landlord"), and **GLENBROOK BUILDING SUPPLY, INC.** a Delaware corporation with a mailing address of 5215 Gershwin Ave. N, Oakdale, Minnesota 55128 ("Tenant"). The parties hereby agree as follows:

LEASE INFORMATION AND DEFINITIONS

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

Leased Premises:	Certain land located in the Town of Big Lake, County of Sherburne, and State of Minnesota, and being more particularly described on Exhibit A , attached hereto and made a part hereof, together with all improvements thereon and all rights and easements appurtenant thereto (the "Leased Premises" or the "Real Property").
Term:	<p>The "Term" means:</p> <p>(a) an "Initial Term," being a period commencing on the Commencement Date and ending at 5:00 p.m. on November 1, 2028, subject to adjustment and earlier termination as provided in the Lease; and</p> <p>(b) if Tenant duly exercises its option to extend the term of this Lease for one or both Extension Terms as provided in the Lease, then also each such Extension Term for which Tenant has duly exercised such option.</p>
Extension Terms:	The Extension Terms shall be two (2) separate, consecutive sixty (60) month periods (hereinafter referred to as "First Extension Term" and the "Second Extension Term," respectively, and also referred to in the singular as an "Extension Term" and in the plural as the "Extension Terms"), all on the terms and conditions set forth in the Lease.
Rent Commencement Date:	Tenant's obligations to pay Base Rent shall commence on November 1, 2023 (the "Rent Commencement Date")
Base Rent:	(a) The Base Rent for the Leased Premises during the Initial Term shall be as set forth on Exhibit B , attached

hereto and made a part hereof.

(c) The Base Rent for the Leased Premises for each year of each Extension Term shall be an amount which is equal to 100% of the prevailing market rates in effect at the time of Tenant's exercise of its extension right for property comparable to the Leased Premises in the vicinity of the Leased Premises (and, for clarity, shall include annual escalators consistent with such prevailing market), all as determined by a licensed commercial real estate broker or appraiser doing business in the greater Minneapolis, Minnesota vicinity and chosen by Landlord, but in no event shall Base Rent for any year of any Extension Term be less than the Base Rent payable for the immediately preceding year of the Term.

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

Taxes: Without limiting the "net" nature of this Lease as provided in herein, Tenant shall pay all Taxes (as defined in this Lease).

Utilities: Without limiting the "net" nature of this Lease as provided herein, Tenant shall contract for and pay for all Utilities (as defined in this Lease).

Operating Expenses; Maintenance and Repairs: Without limiting the "net" nature of this Lease as provided herein, Tenant shall pay 100% of all costs and expenses associated with the use, occupancy, operation, maintenance, repair, and/or replacement of the Leased Premises.

Permitted Use: Subject in all events to the terms and conditions of the Lease, the Leased Premises shall be used only for purposes of a facility for the manufacture of modular homes and other components of modular home construction and associated administrative and general business offices of Tenant in connection therewith.

1. Leased Premises. Landlord leases to Tenant, in consideration of the Rent to be paid by Tenant and subject to the terms and conditions set forth herein, the Leased Premises. Tenant acknowledges that Tenant was the owner of the Leased Premises prior to the Commencement Date and has conveyed the Leased Premises to Landlord on the Commencement Date. Accordingly, Tenant agrees that Tenant accepts and is leasing the Leased Premises in their "as is" condition.

2. Commencement and Term. The term of this Lease shall commence on the

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Commencement Date and shall be the Lease Term, unless earlier terminated or extended by mutual agreement of the parties or as otherwise provided in this Lease.

3. Rent; Net Lease.

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

or set-off, in accordance with the terms of this Lease. If any payment of Rent is received by Landlord more than five (5) days after the date when such payment is due, a late charge of five percent (5%) of the past due payment shall be assessed, due and payable immediately and without notice.

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

4. (Reserved.)

5. (Reserved.)

6. Permitted Use; Compliance with Laws.

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

(b) Tenant agrees to abide by and comply with all Laws (as hereafter defined) applicable to the Leased Premises and/or the use or occupancy of the Leased Premises. It is the responsibility of Tenant to determine all zoning information and secure all necessary permits, licenses, and approvals for Tenant's use and occupancy of the Leased Premises. Without limiting the generality of the foregoing, Tenant agrees to maintain in full force and effect, during the Lease Term, at Tenant's cost and expense, all permits, licenses, registrations, and approvals required under applicable Laws for the use and/or occupancy of the Leased Premises. Without

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limiting the "AS IS" nature of this Lease, Tenant acknowledges and agrees that Landlord has not made and is not making any representations or warranties as to the suitability of, or the ability to obtain any permits or approvals for, Tenant's intended use of the Leased Premises.

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

7. Taxes.

(a) Tenant shall be responsible for the prompt payment of all taxes, levies, betterments, and assessments, and governmental impositions of every kind or nature, whether now existing or hereafter created, general or special, ordinary or extraordinary, foreseen or unforeseen, that may be charged, assessed, laid, levied, or imposed upon, or become a lien or liens against, the Leased Premises or this Lease, including any amount that Landlord may be required to pay to any governmental authority as sales tax, gross receipt tax, or any tax of like nature specifically measured as a percentage of, or fraction of, or other factors based upon the all or any portion of the Rent payable hereunder (whether in lieu of, or in addition to the current

system of real estate taxation) (all amounts payable under this Section being referred to herein as "Taxes").

(b) Tenant shall pay all Taxes, at Landlord's option, either (i) to Landlord as additional Rent in estimated monthly installments, with the actual amount of Taxes reconciled against such estimated monthly installments annually and, within thirty (30) days of such reconciliation, Landlord remitting to Tenant the amount by which the payment of estimated Taxes exceeds the actual Taxes for such annual period (provided Tenant is not then in breach of this Lease), or Tenant paying to Landlord the amount by which the actual Taxes for such annual period exceeds the estimated payments made by Tenant to Landlord; or (ii) to Landlord within thirty (30) days after Landlord makes demand therefor, with copies of any bills for Taxes; or (iii) directly to the taxing authority, in which event Tenant shall provide to Landlord evidence of the prompt payment of all Taxes prior to the date the same are due without the accrual of any interest on such Taxes.

8. Utilities.

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

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

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

9. Operation, Maintenance and Repairs.

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

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

(c) Without limiting the generality of sub-section (a) of this Section, Tenant shall promptly after the Commencement Date undertake all investigations (including an evaluation by a structural engineer and a roofing surveyor) with respect to, and promptly undertake all work necessary to repair, the roof (including roof framing) of the building on the Leased Premises and all damage and other adverse conditions associated with or arising out of the condition of the roof of the building, including any damage to the flooring, walls, siding, windows, ceilings (including drop ceilings), and trim of the building and any Building Systems that may have been adversely affected by any damage to or leaks in the roof of the Building. Tenant shall keep Landlord informed as to the results of all inspections and shall provide all plans and specifications for the foregoing repair work, which will be subject to the approval of Landlord, which will not be unreasonably withheld.

10. Alterations, Renovations and Improvements. Tenant shall not make any alterations, renovations or improvements to the Leased Premises without obtaining Landlord's prior written consent to the plans and specifications therefor and the contractor(s) to be retained by Tenant to perform such work, which shall not be unreasonably withheld, conditioned, or delayed in the case of cosmetic renovations that do not affect the structural elements of the improvements, the roof(s) of any buildings, or any of the Building Systems, but otherwise shall be in Landlord's sole discretion. Prior to any contractor or subcontractor (of any tier) providing or furnishing any labor, materials, or services in connection with any alterations, renovations, or improvements, Tenant shall obtain and furnish to Landlord the name and address of each such contractor and subcontractor. In addition, prior to any such labor, materials, or services being provided or furnished, Tenant shall furnish to Landlord a mechanic's lien waiver and notice to prevent lien in a form prescribed by Landlord, duly executed by each such contractor or subcontractor who will furnish or provide labor, materials, and/or services. Tenant shall ensure that all such alterations, renovations and improvements are performed in a good and workmanlike and in compliance with all applicable Laws. In the event any lien is filed against the Leased Premises in connection with or arising out of any work performed at or materials, labor or other services supplied to the Leased Premises, Tenant shall cause the same to be discharged within thirty (30) days after such lien is filed. Tenant shall indemnify and hold Landlord harmless from and against all claims, demands, liabilities, liens, losses, costs and expenses (including reasonable attorneys' fees) which may arise or be incurred by Landlord as a direct or indirect result of or in connection with such alterations, renovations and improvements, and Tenant shall be responsible for all costs, liabilities, and expenses arising out of such alterations, renovations and/or improvements. All alterations, renovations and improvements which may be made or installed by or on behalf of Tenant upon the Leased Premises and which in any manner are attached to the floors, walls or ceilings shall, at Landlord's option, remain upon the Leased Premises, and, upon termination of this Lease, shall be surrendered with the Leased Premises as a part thereof without disturbance, molestation or injury, provided, however, that Tenant's furniture, equipment, other personal property, and trade fixtures (which, for avoidance of doubt, shall in no event include the crane(s) or related appurtenances located at the Leased Premises) may be removed by Tenant from the Leased Premises upon the expiration or termination of this Lease, subject to the provisions relating to removal thereof as provided in this Lease.

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

12. Surrender; Holdover. Tenant shall vacate and surrender the Leased Premises to Landlord at the expiration or sooner termination of the Lease Term and the same shall be in the same condition as Tenant is required to maintain the same during the Lease Term, free of all of Tenant's personal property except as may otherwise be provided herein, "broom clean," and otherwise in accordance with the provisions of the Lease. Tenant shall have no right to holdover beyond the expiration of the Lease Term. If Tenant continues to occupy the Leased Premises

after the end of the Lease Term, such continued occupancy shall be deemed a tenancy-at-sufferance even if Landlord accepts any payment from Tenant, but in the event that a court of competent jurisdiction deems such acceptance of a payment to constitute acceptance of "rent", such acceptance shall create no rights in Tenant beyond a tenancy-at-will under the terms and conditions stated herein but at a Base Rent rate equal to one hundred fifty percent (150%) of the Base Rent applicable immediately preceding the end of the Lease Term, plus all additional Rent, until (i) Tenant shall vacate the Leased Premises; (ii) the termination of the tenancy-at-will; or (iii) Landlord shall give notice of a different rental amount. Nothing contained in this Section shall be deemed to (a) constitute consent by Landlord to such occupancy or holdover by Tenant;

(b) confer any rights on Tenant as more than a tenant-at-sufferance or, if Landlord accepts any rental payments applicable to such period of holding over, a tenant-at-will; or (c) relieve Tenant from liability for damages suffered by Landlord as a result of such holding over.

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

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

15. Indemnification and Insurance.

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

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

(A) minimum limits of (y) \$1,000,000.00 per occurrence with \$3,000,000.00 annual aggregate limit for bodily injury (including death) and property damage; and (z) \$3,000,000.00 in the annual aggregate with respect to products and completed operations;

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

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

personal injury and advertising injury,

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

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

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

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

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

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

(ii) Automobile liability insurance covering all motor vehicles owned, leased, or licensed by Tenant, covering injury to or death of one or more persons or

damage to or destruction of property, with a minimum limit of liability of \$3,000,000.00 for each accident.

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

(iv) Umbrella excess liability insurance in a minimum amount of [\$10,000,000.00], on a following form basis over the insurance described in clauses (i) through (iii), above.

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

(vi) Until such time, if any, as Landlord elects to carry property insurance for the buildings and improvements located on the Leased Premises, special causes of loss form (also sometimes known as "all risk") property insurance insuring, on a replacement cost basis (without any deduction for depreciation), all buildings and improvements (including fixtures) located on the Leased Premises, with limits in an amount of not less than one hundred percent (100%) of the full replacement cost of such buildings and improvements, and in all events sufficient at all times to avoid causing the insured to be or become a co-insurer, and with a deductible of not more than \$10,000.00, and with Landlord (and Landlord's mortgagee(s) of the Leased Premises from time-to-time) named as loss payee(s) and additional insured(s). Notwithstanding the foregoing, the insurance policy(ies) required by this sub-section may insure the building on an actual cash value basis during those portions of the Term for which Landlord has provided prior consent to the policy(ies) providing coverage on such basis. Such policy(ies) of property insurance must insure against fire, sprinkler leakages, and earthquake, flood and collapse, and all other perils as are from time to time included in the standard special causes of loss form (also sometimes known as "all risk") coverage;

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

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

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

(c) All insurance required to be obtained and maintained by Tenant pursuant to this Section must be with insurers authorized to transact insurance business and cover risks in the State of Minnesota and that are rated "A-" or better by A.M. Best Company, Inc. or other insurance companies of recognized responsibility acceptable to Landlord, acting reasonably.

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

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

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

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

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or Tenant paying to Landlord the amount by which the actual premiums for such annual period exceeds the estimated payments made by Tenant to Landlord.

(h) Tenant acknowledges and agrees that such property insurance as Landlord elects to purchase with respect to the Real Property shall be for the sole benefit of Landlord and that such insurance shall not cover any personal property, trade fixtures, leasehold improvements, or other property or appurtenances owned by or within the care, custody, or control of Tenant, or otherwise located in the Leased Premises (collectively, "Tenant's Property") and that in the event of damage to or loss of any of Tenant's Property, neither

Landlord, its mortgagee(s) of the Leased Premises from time-to-time (if any), nor any of the shareholders, members, directors, managers, officers, employees, or agents of Landlord or any such mortgagee(s) (each in the singular "Releasee", and in the plural, "Releasees") shall have any obligation to repair or replace the same. Notwithstanding any exception to Tenant's indemnification obligations under this Lease, Tenant does hereby expressly release all Releasees of and from, and agrees to indemnify, hold harmless, and defend Releasees from and against, any and all claims for damages to or loss of any of Tenant's Property, regardless of the cause thereof, including, damage or loss due to any Releasee's negligence.

(i) Tenant shall indemnify and hold all Releasees harmless and, if requested by Landlord, defend such Releasee(s) with counsel reasonably satisfactory to Landlord, from and against any and all liabilities, losses, claims, causes of action, damages, costs, and expenses (including reasonable attorney's fees) incurred by or threatened against any Releasee arising out of (i) any occurrence on the Leased Premises or the use of the Leased Premises by Tenant, its employees, agents, licensees, or invitees, except to the extent caused by the negligence or willful misconduct of Landlord (but such exception shall not apply to limit the application of sub-section (h) of this Section); or (ii) Tenant's breach of any provision of this Lease. Tenant agrees that the foregoing agreement to indemnify, defend, and hold harmless extends to liabilities, losses, claims, causes of action, damages, costs and expenses (including reasonable attorney's fees) arising out of claims of Tenant's employees without regard to any immunity, statutory or otherwise, including any immunity under the workers compensation Laws of Minnesota or any other applicable jurisdiction, which immunity Tenant hereby waives, but only for the purposes of Tenant's obligations to the Releasees under this sub-section. Tenant's obligations under this sub-section shall survive the termination of this Lease.

16. Hazardous Materials. Tenant covenants and agrees that Tenant will not permit any Hazardous Substances (as hereafter defined) to be stored, generated, or released from the Leased Premises, other than Hazardous Substances incidental to Tenant's use, maintenance, and operation of the Leased Premises for the Permitted Use provided that Tenant shall store, generate, handle, and dispose of all such Hazardous Substances in full compliance with all applicable laws. Tenant hereby covenants and agrees to indemnify, hold harmless, and, if requested by Landlord, defend, Landlord from and from and against any and all demands, claims, causes, of action, losses, liabilities, damages, fines, costs, and expenses (including reasonable attorneys' fees, court costs and clean-up costs) that may arise out of any Hazardous Substances located at or generated or released from the Leased Premises, irrespective of whether first occurring prior to or after the Commencement Date. The term "Hazardous Substances" means any flammables, explosives, radioactive materials, gasoline, oil, other petroleum products,

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lead paint, urea formaldehyde (including urea formaldehyde foam insulation), asbestos, asbestos containing materials, polychlorinated biphenyls, and any other hazardous materials, hazardous waste, hazardous matter, hazardous or toxic substances, chemical pollutants, and other materials or substances defined in or regulated by Environmental Laws. The term "Environmental Laws" means (A) the Clean Water Act; (B) the Clean Air Act; (C) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act; (D) the Toxic Substance Control Act; (E) the Resource Conservation and Recovery Act; (F) the Hazardous Materials Transportation Act; and/or (G) any similar state Laws regulating pollution or contamination of the environment. The obligations of Tenant under this Section shall survive the termination of this Lease.

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

Landlord shall have the right (but not the obligation) to enter the Leased Premises without prior notice in the event of an emergency in which prior notice is not practicable in the circumstances.

18. Total or Partial Destruction.

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

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

(ii) Notwithstanding the preceding clause (i), Landlord shall have the right to elect, by giving written notice to Tenant, to have Tenant rebuild or restore the Leased Premises, in which event Tenant shall, with reasonable promptness, and in all events within twelve (12) months of the date of Landlord's election notice, rebuild or restore

such improvements to at least substantially the same condition, quality, and class as existed prior to the Casualty, using the proceeds of insurance covering such improvements. The selection of all engineers, architects, and contractors engaged in connection with such rebuilding or restoration and all plans and specifications for such rebuilding or restoration, shall be subject to review and approval by Landlord. In the event that Landlord makes the election to have Tenant rebuild or restore as provided in this clause (ii), all proceeds payable by reason of any Casualty under all applicable policies of insurance (whether Tenant is carrying such insurance, or Landlord has elected to do so as provided in this Lease) shall be paid to Landlord or its mortgagee, and such proceeds will be held by Landlord or its mortgagee in an interest-bearing account and, provided Tenant is not in breach of this Lease, shall be made available for rebuilding or restoring the improvements, and shall be paid by Landlord (or such mortgagee) from time-to-time during the progress of construction for the costs of such reconstruction or repair, all subject to and in accordance with reasonable terms, conditions, and construction disbursement procedures specified by Landlord and/or such mortgagee. Any excess proceeds of insurance (and accrued interest) remaining after the completion of the restoration or reconstruction of the Leased Premises shall be paid to Landlord.

(b) (Reserved.)

(c) Tenant shall be responsible for all insurance deductibles applicable to any Casualty affecting any of the improvements on the Real Property (including Building Systems).

(d) The provisions of this Section shall be subject and subordinate to the provisions of any mortgage now or hereafter placed upon the Real Property and the requirements of any mortgagee holding such mortgage.

19. Condemnation.

(a) "Condemnation" means any taking of title to or any interest in the Leased Premises or any part thereof or any other property used in connection with the Leased Premises (including for ingress, egress, parking, septic service, water supply or other services or utilities) by exercise of any right of eminent domain by, or by any similar proceeding or act of, any person having the power and legal authority to do so (or by purchase in lieu thereof). For the purposes of this definition, the effective date of any Condemnation shall be deemed to be the later of: (i) the date when title to the Leased Premises or part thereof or such other property is transferred by such proceeding or act of the condemning authority, and (ii) the date when Tenant is no longer permitted to occupy the Leased Premises or to use such other property.

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

(c) "Insubstantial Condemnation" means any Condemnation that is not a

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

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

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

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

21. Quiet Enjoyment. Tenant, on paying the Rent and performing and observing the covenants in this Lease, may hold and enjoy the Leased Premises for the Term without unreasonably interference from any person claiming by, through, or under Landlord, subject and subordinate to all provisions of this Lease.

22. Default.

(a) In the event that:

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

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

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

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such petition, appointment or proceeding is not dismissed within sixty (60) days after it is commenced; or

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

(v) Tenant shall abandon the Leased Premises during the Lease Term;
or

(vi) Tenant shall assign this Lease or sublet any portion of the Leased Premises, or attempt to do either of the foregoing, in violation of this Lease; or

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

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

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

(x) there is a default by Tenant under any lease or other agreement, pertaining to property located in the State of Minnesota, and any such default continues beyond the expiration of applicable notice and cure periods (if any), then, and in any of said cases (notwithstanding any license of any former breach of covenant or waiver of the benefit hereof or consent in a former instance), and without limitation of any other remedies that might be available to Landlord under this Lease, at law, or in equity, Landlord lawfully may, immediately or at any time thereafter, terminate this Lease by sending written notice of termination to Tenant, or, subject to compliance with applicable Laws, enter into and upon the Leased Premises or any part thereof in the name of the whole and repossess the same as of its former estate, and expel Tenant and those claiming through or under it and remove it or their effects without being deemed guilty of any manner of trespass, in each case without prejudice to any rights or remedies which might otherwise be available to Landlord for collection of Rent and other damages for breach of covenant, and upon entry as aforesaid or upon sending of such notice, this Lease shall terminate.

(b) Without limiting other remedies of Landlord at law or in equity for any breach of or on account of termination of this Lease, Tenant covenants that in case of such

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termination under sub-section (a) of this Section, Tenant shall pay to Landlord the unpaid Rent owed to Landlord through the time of termination, plus interest thereon at the rate of 18% per annum from the date the same was due until paid; and (ii) at the election of Landlord, either:

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

(2) for the period of time commencing upon such termination of this Lease and continuing through the date this Lease would have terminated had there been no default by Tenant hereunder, the difference, if any, between the Rent which would have been due had there been no such termination and the amount being received by Landlord as rent from a

replacement Tenant of Leased Premises, if any. In addition, Tenant shall pay to Landlord all costs and expenses of such re-letting, including advertising expenses, brokerage commissions, reasonable attorneys' fees, and commercially reasonable costs of repairing, renovating, or otherwise altering the Leased Premises to suit the new tenant.

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

(d) Tenant shall pay all reasonable attorneys' fees incurred by Landlord in connection with the enforcement of Tenant's obligations under this Lease.

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

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

coverage for the satisfaction of any claim arising out of this Lease or out of the use or occupancy of the Leased Premises.

23. Sale or Mortgage; Estoppel; Subordination.

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

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

(c) This Lease shall, at Landlord's option, be subordinate to any ground lease, mortgage, deed of trust, or any other hypothecation or security now or hereafter placed upon the Leased Premises, and to any and all advances made on the security thereof and to all renewals, modifications, consolidations, replacements and extensions thereof. Notwithstanding such subordination, Tenant's right to quiet possession of the Leased Premises shall not be disturbed if Tenant is not in default and so long as Tenant shall pay the Rent and observe and perform all of the provisions of this Lease. If any mortgagee, trustee, or ground lessor shall elect to have this Lease made prior to the lien of its mortgage, deed of trust or ground lease, and shall give written notice thereof to Tenant, this Lease shall be deemed prior to such mortgage, deed of trust, or ground lease, whether this Lease is dated prior to or subsequent to the date of said mortgage, deed of trust, or ground lease or the date of recording thereof. Tenant agrees to execute any documents required to effectuate an attornment, a subordination, or to make this Lease prior to the lien of any mortgage, deed of trust or ground lease, as the case may be. Tenant's failure to execute such documents within ten (10) days after written demand shall constitute an Event of Default by Tenant hereunder.

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

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

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

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

25. Tenant Representations.

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

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(b) Neither Tenant nor any key personnel of Tenant nor any of the underlying beneficial owners of Tenant is or will be a person or entity (i) that is listed in the Annex to or is otherwise subject to the provisions of Executive Order 13224; or (ii) whose name appears on OFAC's most current list of "Specially Designated Nationals and Blocked Persons," (which list may be published from time to time in various mediums including, but not limited to, the OFAC website, <http://www.treas.gov/ofac/tl1sbn.pdf>); or (iii) who commits, threatens to commit or supports "terrorism", as that term is defined in Executive Order 13224; or (iv) who has been associated with or is otherwise affiliated with any entity or person listed above.

(c) Tenant represents that it has all requisite power and authority to enter into

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

26. Miscellaneous Provisions.

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

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

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

(d) Entire Agreement; Binding Effect. All negotiations, considerations, representations, and understandings between Landlord and Tenant are incorporated herein and may be modified or altered only by agreement in writing between Landlord and Tenant, and no act or omission of any employee or agent of Landlord shall alter, change, or modify any of the provisions hereof. All rights, obligations and liabilities contained herein given to, or imposed upon, Landlord and Tenant shall extend to and bind the several respective administrators,

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trustees, receivers, legal representatives, successors, heirs and permitted assigns of Landlord and Tenant. If the "Tenant" under this Lease consists of more than one person or entity, each such person and/or entity shall be bound jointly and severally by the terms, covenants and agreements herein and jointly and severally liable for all obligations arising hereunder.

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

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

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

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

27. (Reserved.)

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

WITNESS:

/s/ Shoaib Khalid
Shoaib Khalid

LANDLORD:
791 Rose Drive

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

WITNESS:

/s/ Erik Soderlund

Erik Soderlund

TENTANT:

GLENBROOK BUILDINGS SUPPLY INC.

By: /s/ Ron Schumacher

Name: Ronald Schumacher

Its: Executive Chairman

List of Exhibits

Exhibit A – Description of the Leased Premises

Exhibit B – Base Rent

Subsidiaries of Registrant as of March 22, 2024

Name: Star Real Estate Holdings USA, Inc.
State of Incorporation: Delaware

Name: 947 Waterford Road, LLC
State of Incorporation: Delaware

Name: 56 Mechanic Falls Road, LLC
State of Incorporation: Delaware

Name: 300 Park Street, LLC
State of Incorporation: Delaware

Name: 791 Rose Drive, LLC
State of Incorporation: Delaware

Name: Star Construction Holdings, Inc.
State of Incorporation: Minnesota

Name: KBS Builders, Inc.
State of Incorporation: Delaware

Name: EdgeBuilder, Inc.
State of Incorporation: Delaware

Name: Glenbrook Building Supply, Inc.
State of Incorporation: Delaware

Name: Star Equity Fund GP, LLC
State of Incorporation: Delaware

Name: Star Equity Fund, LP
State of Incorporation: Delaware

Name: Star Value Investments, LLC
State of Incorporation: Delaware

Name: Star Investment Management, LLC
State of Incorporation: Connecticut

Name: Star Equity Investment Holdings, LLC
State of Incorporation: Delaware

Consent of Independent Registered Public Accounting Firm

Star Equity Holdings, Inc.
Old Greenwich, Connecticut

We consent to the incorporation by reference in the Registration Statements on Form S-1 (Nos. 333-261957, 333-248872, and 333-237928) and Form S-8 (Nos. 333-250177 and 333-228214) of Star Equity Holdings, Inc. (the Company) of our report dated March 22, 2024, relating to the consolidated financial statements of the Company, appearing in this Annual Report on Form 10-K for the year ended December 31, 2023.

/s/Wolf & Company, P.C.
Boston, Massachusetts

March 22, 2024

**CERTIFICATION OF
PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Richard k. Coleman Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Star Equity Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - i. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - ii. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 22, 2024

/s/ RICHARD K. COLEMAN JR.

Richard K. Coleman Jr.
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF
PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, David J. Noble, certify that:

1. I have reviewed this annual report on Form 10-K of Star Equity Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 22, 2024

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

**CERTIFICATION OF
PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

In connection with the accompanying Annual Report on Form 10-K of Star Equity Holdings, Inc. for the year ended December 31, 2023, I, Richard k. Coleman Jr., Chief Executive Officer of Star Equity Holdings, Inc., hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) such Annual Report on Form 10-K of Star Equity Holdings, Inc. for the year ended December 31, 2023, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in such Annual Report on Form 10-K of Star Equity Holdings, Inc. for the year ended December 31, 2023, fairly presents, in all material respects, the financial condition and results of operations of Star Equity Holdings, Inc. at the dates indicated.

This certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.

March 22, 2024

/s/ RICHARD K. COLEMAN JR.

Richard K. Coleman Jr.
Chief Executive Officer
(Principal Executive Officer)

A signed copy of this written statement required by Section 906 has been provided to Star Equity Holdings, Inc. and will be retained by Star Equity Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF
PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

In connection with the accompanying Annual Report on Form 10-K of Star Equity Holdings, Inc. for the year ended December 31, 2023, I, David J. Noble, Chief Financial Officer of Star Equity Holdings, Inc., hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) such Annual Report on Form 10-K of Star Equity Holdings, Inc. for the year ended December 31, 2023, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in such Annual Report on Form 10-K of Star Equity Holdings, Inc. for the year ended December 31, 2023, fairly presents, in all material respects, the financial condition and results of operations of Star Equity Holdings, Inc. at the dates indicated.

This certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.

March 22, 2024

/S/ David J. Noble

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

A signed copy of this written statement required by Section 906 has been provided to Star Equity Holdings, Inc. and will be retained by Star Equity Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

STAR EQUITY HOLDINGS, INC. COMPENSATION CLAWBACK POLICY

A. OVERVIEW

In accordance with the applicable rules of the NASDAQ Stock Market ("NASDAQ") Listing Rules (the "**NASDAQ Rules**"), Section 10D and Rule 10D-1 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") ("**Rule 10D-1**"), the Board of Directors (the "**Board**") of Star Equity Holdings, inc. (the "**Company**") has adopted this Policy (the "**Clawback Policy**") to provide recovery of erroneously awarded Incentive-based Compensation from Executive Officers. All capitalized terms used and not otherwise defined herein shall have the meanings set forth in Section H, below.

B. Recovery of Erroneous Compensation

(1) In the event of an Accounting Restatement, the Company will reasonably promptly recover the Erroneously Awarded Compensation Received in accordance with Nasdaq Rules and Rule 10D-1 as follows:

- (i) After an Accounting Restatement, the Compensation Committee (if composed of independent directors, or otherwise a majority of independent directors serving on the Board) (the "**Committee**") shall determine the amount of any Erroneously Awarded Compensation Received by each Executive Officer and shall promptly notify each Executive Officer with a written notice containing the amount of any Erroneously Awarded Compensation and a demand for repayment or return of such compensation, as applicable.
- (a) For Incentive-based Compensation based on (or derived from) the Company's stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement:
 - i. The amount to be repaid or returned shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the Company's Stock price or total shareholder return upon which the Incentive-based Compensation was Received; and
 - ii. The Company shall maintain documentation of the determination of such reasonable estimate and provide the relevant documentation if and as required to the Nasdaq.
- (ii) The Committee shall have discretion to determine the appropriate means of recovering Erroneously Awarded Compensation based on the particular facts and circumstances. Notwithstanding the foregoing, except as set forth in Section B(2) below, in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of an Executive Officer's obligations hereunder.
- (iii) To the extent that the Executive Officer has already reimbursed the Company for any Erroneously Awarded Compensation Received under any duplicative recovery obligations established by the Company or applicable law, any such reimbursed amount is to be credited in the amount of Erroneously Awarded Compensation that is subject to recovery under this Policy.

- (iv) To the extent that an Executive Officer fails to repay all Erroneously Awarded Compensation to the Company when due, the Company shall take all actions reasonable and appropriate to recover such Erroneously Awarded Compensation from the applicable Executive Officer. The applicable Executive Officer shall be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding sentence.

(2) Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated by Section B(1) above if the Committee determines that recovery would be impracticable *and* any of the following conditions are met:

- (i) The Committee has determined that the direct expenses paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before making this determination, the Company must make a reasonable attempt to recover the Erroneously Awarded Compensation, documented such attempt(s) and provided such documentation to the Nasdaq; or
- (ii) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Internal Revenue Code of 1986, as amended, and regulations thereunder.

A. DISCLOSURE REQUIREMENTS

The Company shall file all disclosures with respect to this Policy required by applicable U.S. Securities and Exchange Commission ("**SEC**") filings and rulings.

B. PROHIBITION OF INDEMNIFICATION

The Company shall not be permitted to insure or indemnify any Executive Officer against (i) the loss of any Erroneously Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Policy, or (ii) any claims relating to the Company's enforcement of its rights under this Policy. Further, the Company shall not enter into any agreement that exempts any Incentive-based Compensation that is granted, paid or awarded to an Executive Officer from the application of this Policy or that waives the Company's right to recovery of any Erroneously Awarded Compensation, and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date of this Policy).

C. ADMINISTRATION AND INTERPRETATION

This Policy shall be administered by the Committee, and any determinations made by the Committee shall be final and binding on all affected individuals.

The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy and for the Company's compliance with Nasdaq Rules, Section 10D, Rule 10D-1 and any other applicable law, regulation, rule or interpretation of the SEC or Nasdaq promulgated or issued in connection therewith.

D. AMENDMENT; TERMINATION

The Committee may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary. Notwithstanding anything in this Section F to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, SEC rule or Nasdaq rule.

E. OTHER RECOVERY RIGHTS

This Policy shall be binding and enforceable against all Executive Officers and, to the extent required by applicable law or guidance from the SEC or Nasdaq, their beneficiaries, heirs, executors, administrators or other legal representatives. The Committee intends that this Policy will be applied to

the fullest extent required by applicable law. Any employment agreement, equity award agreement, compensatory plan or any other agreement or arrangement with an Executive Officer shall be deemed to include, as a condition to the grant of any benefit thereunder, an agreement by the Executive Officer to abide by the terms of this Policy. Any right of recovery under this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company under applicable law, regulation or rule or pursuant to the terms of any policy of the Company or any provision in any employment agreement, equity award agreement, compensatory plan, agreement or other arrangement.

F. DEFINITIONS

For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

(1) **"Accounting Restatement"** means an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (a "Big R" restatement), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a "little r" restatement)

(2) **"Clawback Eligible Incentive Compensation"** means all Incentive-based Compensation Received by an Executive Officer (i) on or after the effective date of the applicable Nasdaq Rules, (ii) after beginning service as an Executive Officer, (iii) who served as an Executive Officer at any time during the applicable performance period relating to any Incentive-based Compensation (whether or not such Executive Officer is serving at the time the Erroneously Awarded Compensation is required to be repaid to the Company), (iv) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (v) during the applicable Clawback Period (as defined **below**).

(3) **"Clawback Period"** means, with respect to any Accounting Restatement, the **three** fiscal years of the Company immediately preceding the Restatement Date (as defined below), and if the Company changes its fiscal year, any transition period of less than nine months within or immediately following those three completed fiscal years.

(4) **"Erroneously Awarded Compensation"** means, with respect to each Executive Officer in connection with an Accounting Restatement, the amount of Clawback Eligible Incentive Compensation that exceeds the amount of Incentive-based Compensation that otherwise would have been Received had it been determined based on the restated amounts, computed without regard to any taxes paid.

(5) **"Executive Officer"** means each individual who is currently or was previously designated as an "officer" of the Company as defined in Rule 16a-1(f) under the Exchange Act. For the avoidance of doubt, the identification of an executive officer for purposes of this Policy shall include each executive officer who is or was identified pursuant to Item 401(b) of Regulation S-K or Item 6.A of Form 20-F, as applicable, as well as the principal financial officer and principal accounting officer (or, if there is no principal accounting officer, the controller).

(6) **"Financial Reporting Measures"** means measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements and all other measures that are derived wholly or in part from such measures. Stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return) shall, for purposes of this Policy, be considered Financial Reporting Measures. For the avoidance of doubt, a Financial Reporting Measure need not be presented in the Company's financial statements or included in a filing with the SEC.

(7) **"Incentive-based Compensation"** means, any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

(8) **"Nasdaq"** means The Nasdaq Stock Market.

(9) **"Received"** means, with respect to any Incentive-based Compensation, actual or deemed receipt, and Incentive-based Compensation shall be deemed received in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-based Compensation award is attained, even if the payment or grant of the Incentive-based Compensation to the Executive Officer occurs after the end of that period.

(10) "**Restatement Date**" means the earlier to occur of (i) the date the Board, a committee of the Board, the Board or the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.

Effective as of [xxx].

Exhibit A

ATTESTATION AND ACKNOWLEDGEMENT OF COMPENSATION CLAWBACK POLICY

By my signature below, I acknowledge and agree that:

- I have received and read the attached Compensation Clawback Policy (this “***Policy***”).
- I hereby agree to abide by all of the terms of this Policy both during and after my employment with the Company, including, without limitation, by promptly repaying or returning any Erroneously Awarded Compensation to the Company as determined in accordance with this Policy.

Signature:

Printed Name:

Date:

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Signature: _____

Printed Name: __

Date: __