UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2020

or

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

For the transition period from to

Commission file number: 001-35947

Star Equity Holdings, Inc.

(Exact Name of Registrant as Specified in its Charter)

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

(203) 489-9500

(Registrant's Telephone Number, Including Area Code)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

None.

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

Cautionary Statement Regarding Forward-Looking Statements

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

Corporate Information

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

ITEM 1. BUSINESS

Overview

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

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

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

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

Strategy

Star Equity

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

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

Operating Businesses

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

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

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

Star Real Estate & Investments

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

Business Segments

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

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

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

Building and construction revenue is summarized as follows:

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

Real estate and investments revenue is summarized as follows:

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

Detailed Description of Our Operating Segments

Digirad Health

Diagnostic imaging depictions of the internal anatomy or physiology are generated primarily through non-invasive means. Diagnostic imaging facilitates the early diagnosis of diseases and disorders, often minimizing the scope, cost, and amount of care required and reducing the need for more invasive procedures. Currently, the major types of non-invasive diagnostic imaging technologies available are: x-ray, MRI, CT, ultrasound, PET, and nuclear imaging. The most widely used imaging acquisition technology utilizing gamma cameras is single photon emission computed tomography, or SPECT. Our current internally-developed cardiac gamma cameras employ SPECT technology. Digirad Health is comprised of two segments that specialize in delivering SPECT in a unique and effective manner in order to deliver convenient healthcare solutions on an AS needed, WHEN needed and WHERE needed basis.

Diagnostic Services

Through Diagnostic Services, we offer a convenient and economically efficient imaging services program as an alternative to purchasing equipment or outsourcing the procedures to another physician or imaging center. For physicians who wish to perform nuclear imaging, echocardiography, vascular or general ultrasound tests, we provide imaging systems, qualified personnel, radiopharmaceuticals, licensing services, and the logistics required to perform imaging in their own offices, and thereby the ability to bill Medicare, Medicaid, or one of the third-party healthcare insurers directly for those services, which are primarily cardiac in nature. We provide imaging services primarily to cardiologists, internal medicine physicians, and family practice doctors who typically enter into annual contracts for a set number of days ranging from once per month to five times per week. Many of our physician customers are reliant on reimbursements from Medicare, Medicaid, and third-party insurers. Although reimbursement for procedures provided by our services have been stable during the last several years, any future changes to underlying reimbursements may require modifications to our current business model in order for us to maintain a viable economic model.

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

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

Diagnostic Imaging

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

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

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

Star Building & Construction

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

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

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

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

Our Competitive Strengths

Healthcare Services and Products

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

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

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

Construction Services and Products

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

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

Sales

Healthcare

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

Building & Construction

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

EBGL markets its engineered structural wall panels and permanent wood foundation systems through direct sales people and a network of builders, contractors and developers in the Minneapolis-Saint Paul area and the Upper Midwest states. EBGL's direct sales organization is responsible for both residential and commercial projects. Our marketing efforts include participation in industry trade shows, production of product literature, and sales support tools. Our showroom and lumber yard services walk-in traffic, mainly professional builders but also homeowner's, through in house sales clerks.

Competition

Healthcare

The market for diagnostic products and services is highly competitive. Our business, which is focused primarily on the private practice and hospital sectors, continues to face challenges of demand for diagnostic services and imaging equipment, which we believe is due in part to the impact of the Deficit Reduction Act on the reimbursement environment and the 2010 Healthcare Reform laws, as well as general uncertainty in overall healthcare and legislative changes in healthcare, such as the Affordable Care Act. These challenges have impacted, and will likely continue to impact, our operations. We believe that the principal competitive factors in our market include acceptance by hospitals and physicians, relationships that we develop with our customers, budget availability for our capital equipment, requirements for reimbursement, pricing, ease-of-use, reliability, and mobility.

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

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

Building & Construction

The market for building and construction is highly competitive.

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

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

Intellectual Property

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

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

Patents

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

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

Trademarks and Copyrights

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

Raw Materials

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

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

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

Manufacturing

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

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

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

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

Healthcare Reimbursement

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

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

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

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

Government Regulation

Healthcare

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

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

- *Anti-Kickback Laws.* The Medicare/Medicaid Patient Protection Act of 1987, as amended, which is commonly referred to as the Anti-Kickback Statute, prohibits us from knowingly and willingly offering, paying, soliciting, or receiving any form of remuneration in return for the referral of items or services, or to purchase, lease, order, or arrange for or recommend purchasing, leasing, or ordering any good, facility, service, or item, for which payment may be made under a federal healthcare program. Violation of the federal anti-kickback law is a felony, punishable by criminal fines and imprisonment, or both, and can result in civil penalties and exclusion from participation in healthcare programs such as Medicare and Medicaid. Many states have adopted similar statutes prohibiting payments intended to induce referrals of products or services paid by Medicaid or other nongovernmental third-party payors.
- *Physician Self-Referral Laws.* Federal regulations commonly referred to as the "Stark Law" prohibit physician referrals of Medicare or Medicaid patients to an entity for certain designated health services if the physician or an immediate family member has an indirect or direct financial relationship with the entity, unless a statutory exception applies. We believe that referrals made by our physician customers are eligible to qualify for the "in-office ancillary services" exception to the Stark Law, provided that the services are provided or supervised by the physician or a member of his or her "Group Practice," as that term is defined under the law, the services are performed in the same building in which the physician regularly practices medicine, and the services are billed by or for the supervising physician or Group Practice. Violations of the Stark Law may lead to the imposition of penalties and fines, the exclusion from participation in federal healthcare programs, and liability under the federal False Claims Act and its whistleblower provisions. Many states have adopted similar statutes prohibiting self-referral arrangements that cover all patients and not just Medicare and Medicaid patients.
- *HIPAA.* The Health Insurance Portability and Accountability Act of 1996, or HIPAA, prohibits schemes to defraud healthcare benefit programs and fraudulent conduct in connection with the delivery of, or payment for, healthcare benefits, items, or services. HIPAA also establishes standards governing electronic healthcare transactions and protecting the security and privacy of individually identifiable health information. Some states have also enacted privacy and security statutes or regulations that, in some cases, are more stringent than those issued under HIPAA.

  The American Recovery and Reinvestment Act of 2009, enacted February 17, 2009, made significant changes to HIPAA privacy and security regulations. Effective February 17, 2010, we are regulated directly under all of the HIPAA rules protecting the security of electronic individually identifiable health information and many of the rules governing the privacy of such information.
- *Medical Device Regulation.* The FDA classifies medical devices, such as our cameras, into one of three classes, depending on the degree of risk associated with the device and the extent of control needed to ensure safety and effectiveness. Devices deemed to pose lower risk are placed in either class I or II, which generally requires the manufacturer to submit to the FDA a pre-market notification requesting permission for commercial distribution. This process is known as 510(k) clearance. Devices deemed to pose the greatest risk, such as life-sustaining, life-supporting, or implantable devices, are placed in Class III, requiring an approved Premarket Approval Application ("PMA"). Our cameras are Class II medical devices that have been cleared for marketing by the FDA. We are also subject to post-market regulatory requirements relating to our manufacturing process, marketing and sales activities, product performance, and medical device reports should there be deaths and serious injuries associated with our products.
- *Pharmaceutical Regulation.* Federal and state agencies, including the FDA and state pharmacy boards, regulate the radiopharmaceuticals used in our Diagnostic Services business.
- *Radioactive Materials Laws.* We must maintain licensure under, and comply with, federal and state radioactive materials laws, or RAM laws. RAM laws require, among other things, that radioactive materials are used by, or that their use be supervised by, individuals with specified training, expertise, and credentials and include specific provisions applicable to the medical use of radioactive materials.

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

Employees

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

Recent History of our Business Transformation

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

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

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

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

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

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

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

Restatement of Previously Issued Consolidated Financial Statements

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

Available Information

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

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

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

ITEM 1A. RISK FACTORS

Summary of Risk Factors

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

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

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

Risks Related to Our Business and Industry

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to our Indebtedness

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to our Common Stock and our Company Preferred Stock

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Our Material Weakness and Restatements

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

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

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

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

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information

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

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

Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

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

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

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

Securities Authorized for Issuance Under Equity Compensation Plans

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

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

Not applicable.

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

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

Executive Overview

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

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

Our Building & Construction business is a single reporting segment and operates as KBS, EdgeBuilder and Glenbrook. KBS is based in Maine and provides modular buildings throughout the New England market. EdgeBuilder and Glenbrook, referred to together as EBGL internally and based in the Minneapolis-Saint Paul area, together provide structural wall panels and other engineered wood-based products, as well as building materials to customers in the Upper Midwest.

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

Current Market Conditions

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

The target market for our healthcare products and services is comprised of cardiologists, internal medicine physicians, family practice physicians, hospitals, IDNs, and federal institutions in the United States that perform or could perform a diagnostic imaging procedure, have a need for cardiac event monitoring, or have interest in purchasing a diagnostic imaging product. During the year ended December 31, 2020, through Diagnostic Services, we provided imaging services to 584 physicians, physician groups, hospitals, IDNs and federal institutions. Our Diagnostic Services businesses currently operate in approximately 25 states. The overriding challenge during 2020 was the drop in imaging volume due to the COVID-19 pandemic. While we provide critical and important imaging services focused in the cardiac area, the risks of exposure led to reduced patient volumes as these tests were deferred or canceled in hopes that the pandemic would abate.

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

Trends and Drivers

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

In the area of reimbursements, our market has been negatively affected in the past by lower reimbursements from the Center for Medicare and Medicaid Services ("CMS") and third-party insurance providers for the codes under which our customers bill for our services, although reimbursements have stabilized in the last several years. We have addressed, and will continue to address, these market pressures by modifying our Diagnostic Services business models, and by assisting our healthcare customers in complying with new regulations and requirements.

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

COVID-19 Pandemic

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

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

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

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

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

Discontinued Operations

On October 30, 2020, we entered into the DMS Purchase Agreement for the DMS Sale Transaction. The purchase price for the DMS Sale Transaction is $18.75 million in cash, subject to certain adjustments, including a working capital adjustment. We deem the contemplated disposition of the Mobile Healthcare business unit to represent a strategic shift that will have a major effect on our operations and financial results. As of December 31, 2020, in accordance with the provisions of FASB authoritative guidance, the Mobile Healthcare business met the criteria to be classified as held for sale. This segment is reported on the Consolidated Statement of Operations as discontinued operations and on the Consolidated Balance Sheet as Assets and Liabilities held for sale.

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

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

2020 Financial Highlights

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

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

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

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

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

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

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

Use of EBITDA (Non-GAAP measure)

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

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

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

Results of Operations

Comparison of Years Ended December 31, 2020 and 2019

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

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

N/M Not meaningful

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

Revenues

Healthcare

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

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

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

Building and Construction

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

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

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

Real Estate and Investments

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

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

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

Gross Profit

Healthcare

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

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

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

Star Building & Construction

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

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

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

Star Real Estate & Investments

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

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

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

Operating Expenses

Operating expense are summarized as follows (in thousands):

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

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

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

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

Other Income (Expense)

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

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

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

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

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

Income Tax (Expense) Benefit

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

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

Loss from Discontinued Operations

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

Liquidity and Capital Resources

Overview

Cash Flows from Operating Activities

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

Cash Flows from Investing Activities

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

Cash Flows from Financing Activities

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

Cash Flows

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

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

Sources of Liquidity

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

Liquidity Outlook

We require capital, principally for capital expenditures, acquisition activity, dividend payments and to finance accounts receivable and inventory. Our working capital requirements vary from period to period depending on inventory requirements, the timing of deliveries, and the payment cycles of our customers. Our capital expenditures consist of medical imaging and diagnostic devices utilized in the provision of our services, as well as vehicles and information technology hardware and software. In addition, we are putting in place capital expenditure programs in the Building & Construction business in order to improve operations and expand our production output. Generally, this business is not capital intensive, although we had to augment working capital significantly in 2020, especially at KBS, to support higher production levels.

The accompanying consolidated financial statements have been prepared assuming we will continue as a going concern, which contemplates the realization of assets and settlement of obligations in the normal course of business. We incurred net losses from continuing operations of approximately $7.2 million and $1.9 million for the twelve months ended December 31, 2020 and 2019, respectively. We have an accumulated deficit of $125.0 million and $118.5 million as of December 31, 2020 and 2019, respectively. Net cash used in operations of $5.0 million for the twelve months ended December 31, 2020 compared to net cash provided by operations of $0.4 million for the same prior year period in 2019. The Company will need to secure additional future financing to accomplish its business plan over the next several years and that there can be no assurance on the availability or terms upon which such financing and capital mat be available in the future.

Regarding our debt, GAAP rules require us to classify $18.4 million as short-term debt, as of December 31, 2020. However, $12.7 million of our debt allocation to short-term relates to the balance on our revolving line of credit with Sterling. This debt primarily supports our healthcare business and the SNB Loan Agreement actually matures in 2024, but GAAP rules require that the outstanding balance be classified as short-term debt, due to the automatic sweep feature embedded in the traditional lockbox arrangement along with a subjective acceleration clause in the agreement. In practice, we have the ability to immediately borrow back these daily sweeps to fund our working capital.

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

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

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

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

Common Stock Offering

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

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

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

Credit Facilities

Sterling Credit Facility

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

The SNB Loan Agreement is a five-year credit facility maturing in March 2024, with a maximum credit amount of $20.0 million for revolving loans (the "SNB Credit Facility"). Under the SNB Credit Facility, the SNB Borrowers can request the issuance of letters of credit in an aggregate amount not to exceed $0.5 million at any one time outstanding. The borrowings under the SNB Loan Agreement were classified as short-term obligations under GAAP as the agreement contained a subjective acceleration clause and required a lockbox arrangement whereby all receipts are swept daily to reduce borrowings outstanding. As of December 31, 2020, the Company had $0.2 million of letters of credit outstanding and had additional borrowing capacity of $7.3 million.

At the Borrowers' option, the SNB Credit Facility will bear interest at either (i) a Floating LIBOR Rate, as defined in the Loan Agreement, plus a margin of 2.50% per annum; or (ii) a Fixed LIBOR Rate, as defined in the Loan Agreement, plus a margin of 2.25% per annum. As our largest single debt outstanding, our floating rate on this facility at the end of 2020 was 2.64%.

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

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

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

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

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

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

ATRM Loan Agreements

As of December 31, 2020, ATRM had outstanding revolving lines of credit of approximately $3.1 million. Our debt through ATRM primarily included (i) $1.1 million principal outstanding on KBS's $4.0 million revolving credit facility under a Loan and Security Agreement, dated February 23, 2016, (as amended, the "KBS Loan Agreement"), with Gerber Finance Inc. ("Gerber") and (ii) $2.0 million principal outstanding on EBGL's $3.0 million revolving credit facility under a Revolving Credit Loan Agreement, dated June 30, 2017 (as amended, the "Premier Loan Agreement") with Premier Bank ("Premier"), net of an immaterial amount of unamortized financing fees. As of December 31, 2020, ATRM was at the maximum borrowing capacity under both revolving lines of credit, based on the inventory and accounts receivable on that day which fluctuates weekly.

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

KBS Loan Agreement

On February 23, 2016, ATRM, KBS and Main Modular Haulers, Inc. (a subsidiary of ATRM) entered into a Loan and Security Agreement (as amended, the "KBS Loan Agreement") with Gerber. The KBS Loan Agreement provides KBS with a revolving line of credit with borrowing availability of up to $4.0 million. Availability under the line of credit is based on a formula tied to KBS's eligible accounts receivable, inventory and other collateral. The KBS Loan Agreement, which was scheduled to expire on February 22, 2018, has been automatically extended for successive one (1) year periods in accordance with its terms and is now scheduled to expire on February 22, 2022. The KBS Loan Agreement will be automatically extended for another one (1) year period unless a party thereto provides prior written notice of termination. As of December 31, 2020, neither party has provided notice of termination. Upon the final expiration of the term of the KBS Loan Agreement, the outstanding principal balance is payable in full. Borrowings bear interest at the prime rate plus 2.75%, equating to 6.00% at December 31, 2020, with interest payable monthly. The KBS Loan Agreement also provides for certain fees payable to Gerber during its term, including a 1.5% annual facilities fee and a 0.10% monthly collateral monitoring fee. KBS's obligations under the KBS Loan Agreement are secured by all of its assets and are guaranteed by ATRM. Unsecured promissory notes issued by KBS and ATRM are subordinate to KBS's obligations under the KBS Loan Agreement. The KBS Loan Agreement contains representations, warranties, affirmative and negative covenants, defined events of default and other provisions customary for financings of this type. Financial covenants require that KBS maintain a maximum leverage ratio (as defined in the KBS Loan Agreement) and KBS not incur a net annual post-tax loss in any fiscal year during the term of the KBS Loan Agreement. The borrowings under the KBS Loan Agreement were classified as short-term obligations under GAAP as the agreement contained a subjective acceleration clause and required a lockbox arrangement whereby all receipts are swept daily to reduce borrowings outstanding. At December 31, 2020, approximately $1.1 million was outstanding under the KBS Loan Agreement.

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

As of December 31, 2020 and 2019, KBS was not in compliance with the financial covenants requiring no net annual post-tax loss for KBS or the minimum leverage ratio covenant as of 2020. The occurrence of any event of default under the KBS Loan Agreement may result in KBS's obligations under the KBS Loan Agreement becoming immediately due and payable. In April 2019, June 2019, February 2020 and February 2021, we obtained a waiver from Gerber for these events.

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

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

On March 5, 2020, in connection with the First EBGL Amendment, Gerber, KBS, ATRM and the Company entered into a Consent and as a Fourteenth Amendment to Loan and Security Agreement that amended the KBS Loan Agreement (the "Consent and Fourteenth Amendment"). Under the terms of the Consent and Fourteenth Amendment, the parties thereto (and the subordinated creditors that consented thereto) consented to the First EBGL Amendment and agreed that cash collateral would no longer be part of the borrowing base and that the borrowing base would no longer be based on cash availability for purposes of the KBS Loan Agreement.

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

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

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

EBGL Premier Note

On June 30, 2017, EdgeBuilder and Glenbrook (together, EBGL) entered into a Revolving Credit Loan Agreement (as amended, the "Premier Loan Agreement") with Premier providing EBGL with a working capital line of credit of up to $3.0 million. The Premier Loan Agreement replaced the prior revolving credit facility under a loan and security agreement with Gerber (the "EBGL Loan Agreement"), which was terminated on the same date and all obligations of EBGL and ATRM in favor of Gerber in connection with the EBGL Loan Agreement were extinguished.

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

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

Gerber Star and EBGL Loans

On January 31, 2020, SRE, 947 Waterford Road, LLC ("947 Waterford"), 300 Park Street, LLC ("300 Park"), and 56 Mechanic Falls Road, LLC ("56 Mechanic" and together with SRE, 947 Waterford, and 300 Park, (the "Star Borrowers"), each an Investments Subsidiary, and the Company, ATRM, KBS, EdgeBuilder, and Glenbrook (collectively, the "Star Credit Parties"), entered into a Loan and Security Agreement (as amended, the "Star Loan Agreement") with Gerber providing the Star Borrowers with a credit facility with borrowing availability of up to $2.5 million ($2.0 million and $0.5 million to KBS and EBGL, respectively) (the "Star Loan"). The advance of $2.0 million to KBS is to be repaid in monthly installments of sixty (60) consecutive equal payments. The advance of $0.5 million to EBGL, which has been temporarily increased by $0.3 million due to be repaid on April 30, 2020, is to be repaid in monthly installments of twelve (12) consecutive equal payments. On February 20, 2020, the Star Borrowers entered into a First Amendment to Loan and Security Agreement (the "First Star Amendment") with Gerber that amended the Star Loan Agreement in order to (i) temporarily advance $0.3 million to EBGL, which amount is to be repaid to Gerber on or before April 30, 2020; (ii) clarify that Gerber can make multiple advances under the Star Loan Agreement, and (iii) to correct the maturity date of the Star Loan. On April 30, 2020, the Star Borrowers entered into a Second Amendment to Loan and Security Agreement (the "Second Star Amendment") with Gerber that amended the Star Loan Agreement in order to change terms of repayment for the advance of $0.3 million to EBGL provided for under the First Star Amendment. Under the terms of the Second Star Amendment, the advance of $0.3 million to EBGL is to be repaid in three (3) consecutive equal monthly installments on the thirtieth (30th) day in each calendar month, commencing May 30, 2020, and in a final installment on or before July 31, 2020. As of September 30, 2020, EBGL repaid $0.3 million to Gerber. As of December 31, 2020, $1.6 million was outstanding under the Star Loan Agreement.

On January 31, 2020, EdgeBuilder and Glenbrook (the "EBGL Borrowers"), each a Construction Subsidiary, and the Company, Star, 947 Waterford, 300 Park, 56 Mechanic, ATRM, and KBS (collectively, the "EBGL Credit Parties"), entered into a Loan and Security Agreement (the "EBGL Loan Agreement") with Gerber providing the EBGL Borrowers with a credit facility with borrowing availability of up to $3.0 million (the "EBGL Loan").

On March 5, 2020, the EBGL Borrowers entered into a First Amendment to Loan and Security Agreement (the "First EBGL Amendment") with Gerber that amended the EBGL Loan Agreement and the KBS Loan Agreement in order to, among other things, include a pledge $0.3 million of cash collateral by LSVI under the EBGL Loan Agreement which, prior to the First EBGL Amendment, was pledged by LSVI in connection with the KBS Loan Agreement. On July 1, 2020, the EBGL Borrowers entered into a Second Amendment to Loan and Security Agreement that amended the EBGL Loan Agreement in order to, among other things, terminate the pledge of $0.3 million in cash collateral. On February 26, 2021, the EBGL Borrowers entered into a third amendment to the EBGL Loan Agreement (the "Third EBGL Amendment") pursuant to which the Company and Gerber agreed to, among other things, eliminate the minimum leverage ratio covenant, lower the minimum EBITDA, and require the borrowers to not incur a net operating loss on bi-annual basis. The Third EBGL Amendment also discharged the EBGL Eberwein Guaranty (described below) and removed Mr. Eberwein as an ancillary guarantor from the EBGL Loan Agreement. As of December 31, 2020 , $2.0 million was outstanding under the revolving credit facility.

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

The obligations of the EBGL Borrowers under the EBGL Loan Agreement are guaranteed by the EBGL Credit Parties and are secured by substantially all the assets of the EBGL Borrowers and the EBGL Credit Parties.

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

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

The Star Loan Agreement and EBGL Loan Agreement contains representations, warranties, affirmative and negative covenants, events of default and other provisions customary for financings of this type. The financial covenants under the EBGL Loan Agreement applicable to the EBGL Borrowers include maintenance of a minimum tangible net worth, a minimum debt service coverage ratio and minimum net income. The Financial covenants under the Star Loan Agreement applicable to the Star Borrowers include a minimum debt service coverage ratio. The occurrence of any event of default under the Loan Agreements may result in the obligations of the Borrowers becoming immediately due and payable. As of December 31, 2020, EBGL was not in compliance with the financial covenants under the Star Loan Agreement and EBGL Loan Agreement as of 2020. The occurrence of any event of default under the EBGL Loan Agreement may result in EBGL's obligations under the EBGL Loan Agreement becoming immediately due and payable. In February 2021, we obtained a waiver from Gerber for these events and, as part of the Third EBGL Amendment (described above), the Company and Gerber agreed to, among other things, eliminate the minimum leverage ratio covenant, lower the minimum EBITDA, and require the borrowers to not incur a net operating loss on bi-annual basis, as well as discharge the EBGL Eberwein Guaranty.

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

Paycheck Protection Program

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

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

The PPP was established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and is administered by the U.S. Small Business Administration ("SBA"). The loans evidenced by the Construction Notes are being made through Bremer Bank ("Bremer") as lender, and the loans evidenced by the Healthcare Notes are being made through Sterling as lender.

The loans evidenced by the PPP Notes (the "PPP Loans") have two-year terms and bear interest at a rate of 1.00% per annum. Monthly principal and interest payments under the PPP Loans are deferred for ten months after the end of covered periods. Beginning eleven months from the date of a PPP Note, unless fully forgiven prior thereto, the applicable borrower will pay to its lender thereunder a monthly principal and interest payments. The PPP Loans may be prepaid at any time prior to maturity with no prepayment penalties. The Construction Notes mature on April 30, 2022, and the Healthcare Notes mature two years from the date the loans under the Healthcare Notes are disbursed. Loans under the Company Note and the DIS Note were disbursed on May 12, 2020, and the loans under the DMS Health Note and DMS Imaging Note were disbursed on May 13, 2020.

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

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

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

Off-Balance Sheet Arrangements

On September 10, 2019, the parties to the KBS Loan Agreement entered a Consent and Acknowledgment Agreement and Twelfth Amendment to Loan Agreement, by and among Gerber, KBS, ATRM and the Company, pursuant to which the Company agreed to guarantee amounts borrowed by certain of ATRM's subsidiaries from Gerber. The Twelfth Amendment requires the Company to serve as an additional guarantor with the existing guarantor, ATRM, with respect to the payment, performance and discharge of each and every obligation of payment and performance by the borrowing subsidiaries with respect to the loans made by Gerber to them. On January 31, 2020, the Company, ATRM, KBS and Gerber entered into a Thirteenth Amendment to Loan and Security Agreement (the "Thirteenth KBS Loan Amendment") to amend the KBS Loan Agreement, by and among the Company, ATRM, KBS and Gerber, in order to, among other things (a) amend the definitions of "Ancillary Credit Parties," "Guarantor," "Obligations," and "Subordinated Lender" to address the obligations of the Star Borrowers, the EBGL Borrowers, the Star Credit Parties, and the EBGL Credit Parties under the Loan Agreements and the Subordination Agreements to which they are a party and (b) add a new cross default provision.

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

Critical Accounting Policies

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

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

Business Combination

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

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

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

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

Revenue Recognition

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

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

Goodwill valuation

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

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

Income Taxes

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

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

New Accounting Pronouncements

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

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

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

ITEM 8.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

STAR EQUITY HOLDINGS, INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Consolidated Financial Statements

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

Restatement to Correct 2019 Misstatement

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

Basis for Opinion

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

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

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

Critical Audit Matters

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

Valuation of Goodwill

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

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

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

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

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

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

Going Concern Assessment

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

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

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

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

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

/s/ BDO USA, LLP

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

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

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

*Earnings per share may not add due to rounding

See accompanying notes to consolidated financial statements.

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

	December 31,	
	2020	**2019 (Restated)**
Assets:		
Current assets:		
Cash and cash equivalents	$ 3,225	$ 1,747
Restricted cash	168	240
Equity securities	35	26
Accounts receivable, net	12,975	12,916
Inventories, net	9,787	7,029
Other current assets	1,990	1,339
Assets held for sale	20,756	6,251
Total current assets	48,936	29,548
Property and equipment, net	9,762	10,286
Operating lease right-of-use assets, net	1,769	2,238
Intangible assets, net	16,900	19,023
Goodwill	9,542	9,978
Other assets	1,384	1,165
Noncurrent assets held for sale	—	18,322
Total assets	$ 88,293	$ 90,560
Liabilities, Mezzanine Equity and Stockholders' Equity:		
Current liabilities:		
Accounts payable	$ 4,952	$ 6,462
Accrued compensation	2,825	3,747
Accrued warranty	214	421
Deferred revenue	2,184	1,776
Short-term debt and current portion of long-term debt	18,362	20,334
Notes payable to related parties	2,307	1,919
Operating lease liabilities	1,011	1,144
Other current liabilities	3,000	4,186
Liabilities held for sale	7,871	4,487
Total current liabilities	42,726	44,476
Long-term debt, net of current portion	3,700	740
Deferred tax liabilities	51	11
Operating lease liabilities, net of current portion	828	1,206
Other liabilities	1,059	932
Noncurrent liabilities held for sale	—	2,498
Total liabilities	48,364	49,863
Commitments and contingencies (Note 11)		
Preferred stock, $0.0001 par value: 10,000,000 shares authorized: 10% Series A Cumulative Perpetual Preferred Stock 8,000,000 shares authorized, liquidation preference ($10.00 per share), 1,915,637 shares issued and outstanding at December 31, 2020 and 2019, respectively	21,500	19,602
Stockholders' equity:		
Common stock, $0.0001 par value: 30,000,000 shares authorized; 4,798,367 and 2,050,659 shares issued and outstanding (net of treasury shares) at December 31, 2020 and 2019, respectively	—	—
Treasury stock, at cost; 258,849 shares at December 31, 2020 and 2019	(5,728)	(5,728)
Additional paid-in capital	149,143	145,352
Accumulated deficit	(124,986)	(118,529)
Total stockholders' equity	18,429	21,095
Total liabilities, mezzanine equity and stockholders' equity	$ 88,293	$ 90,560

See accompanying notes to consolidated financial statements.

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

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

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

See accompanying notes to consolidated financial statements.

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

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

See accompanying notes to consolidated financial statements.

Note 1. The Company

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

Digirad Health Division

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

Star Building and Construction Division

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

Star Real Estate & Investments Division

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

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

Note 2. Restatement of Previously Issued Consolidated Financial Statements

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

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

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

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

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

Consolidated Balance Sheet

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

Quarterly Financial Information (Unaudited)

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

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

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

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

Note 3. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The consolidated financial statements are prepared in conformity with generally accepted accounting principles ("GAAP") accepted in the United States of America and include the financial statements and our wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated. The divestiture of the Mobile Healthcare segment met the definition of a strategic shift that has a significant effect on our operations and financial results; therefore, the results of operations for the Mobile Healthcare segment have been presented as discontinued operations in accordance with ASC 205-20, Presentation of Financial Statements-Discontinued Operations for all periods presented. Additionally, Mobile Healthcare's assets and liabilities as of December 31, 2020 and 2019 are separately presented as held for sale on the consolidated balance sheet. Unless otherwise noted, discussion within these notes to the consolidated financial statements relates to continuing operations. Refer to Note 4. *Discontinued Operations* for additional information.

Reverse Stock Split

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

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

ATRM Merger

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

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

Mezzanine Equity

Pursuant to the Certificate of Designations, Rights and Preferences of 10% Series A Cumulative Perpetual Preferred Stock of Star Equity Holdings, Inc. (formerly Digirad Corporation) (the "Certificate of Designations"), upon a Change of Control Triggering Event, as defined in the Certificate of Designations, holders of the Company Preferred Stock may require the Company to redeem the Company Preferred Stock at a price of $10.00 per share, plus any accumulated and unpaid dividends (a "Change of Control Redemption"). As this redemption feature of the shares is not solely within the control of the Company, the Company Preferred Stock does not qualify as permanent equity and has been classified as mezzanine or temporary equity. Company Preferred Stock is not redeemable and it was not probable that our Preferred Stock would become redeemable as of December 31, 2020 and 2019. Therefore, we are not currently required to accrete the Company Preferred Stock to its redemption value.

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

Discontinued Operations

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

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

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

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

Liquidity

The accompanying consolidated financial statements have been prepared assuming we will continue as a going concern, which contemplates the realization of assets and settlement of obligations in the normal course of business. We incurred net losses from continuing operations of approximately $7.2 million and $1.9 million for the years ended December 31, 2020 and 2019, respectively. We have an accumulated deficit of $125.0 million and $118.5 million as of December 31, 2020 and 2019, respectively. Net cash used in operations was $5.0 million for the year ended December 31, 2020 compared to net cash provided by operations of $0.4 million for the year ended 2019. The Company will need to secure additional future financing to accomplish its business plan over the next several years and that there can be no assurance on the availability or terms upon which such financing and capital mat be available in the future.

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

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

On May 28, 2020, we closed a public offering (the "Offering") of 2,225,000 shares of its common stock and 2,225,000 warrants ("Warrants") to purchase up to 1,112,500 shares of its common stock. Net proceeds of the Offering is being used to fund working capital and other general corporate purposes. Further, Jeffrey E. Eberwein, the Executive Chairman of our board of directors, has committed to provide financial support to us by providing written assurances that he will (a) not call approximately $2.3 million of related party debt when it becomes due in October 2020 then extended to June 30, 2022 and (b) extend through June 2021 our put option with respect to $1.0 million in Preferred Stock. In November 2020, Mr. Eberwein signed the second extension letter to extends the maturity date of all notes above to the earlier of (i) the date that is 5 business days after the Closing Date defined within the DMS Purchase Agreement dated October 30, 2020 between the Company and Knob Creek Acquisition Corp. or (ii) the date when the Note is no longer subject to a certain subordinate letter agreement dated January 12, 2018, as amended in favor of Gerber. Management believes that we have the liquidity and operations to continue to support the business through the next 12 months from the issuance of these consolidated financial statements. Our ability to continue as a going concern is dependent on ability to execute our plans.

Use of Estimates

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

Revenue Recognition

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

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

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

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

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

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

Building and Construction Revenue Recognition.

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

Leases

Lessee Accounting

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

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

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

Lessor Accounting

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

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

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

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

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

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

Concentration of Credit Risk

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

Fair Value of Financial Instruments

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

Cash and Cash Equivalents

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

Equity Securities

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

Allowance for Doubtful Accounts, and Billing Adjustments

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

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

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

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

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

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

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

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

Inventory

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

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

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

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

Long-Lived Assets including Finite Lived Purchased Intangible Assets

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

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

Valuation of Goodwill

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

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

Self-Insured Health Insurance Benefits

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

Restricted Cash

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

Debt Issuance Costs

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

Shipping and Handling Fees and Costs

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

Share-Based Compensation

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

Warranty

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

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

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

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

Advertising Costs

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

Basic and Diluted Net Loss Per Share

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

The following table sets forth the reconciliation of shares used to compute basic and diluted net loss per share for the years ended December 31, 2020 and 2019 (in thousands):

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

*Earnings per share may not add due to rounding

Antidilutive common stock equivalents are excluded from the computation of diluted loss per share. Stock options and restricted stock units are antidilutive when the assumed proceeds per share are greater than the average market price of the common shares. In addition, in periods where net losses are incurred, stock options and restricted stock units with assumed proceeds per share less than the average market price of the common shares become antidilutive as well. The following weighted-average outstanding common stock equivalents were not included in the calculation of diluted net loss per share because their effect was antidilutive (in thousands):

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

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

Other Comprehensive Income (Loss)

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

Income Taxes

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

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

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

New Accounting Standards To Be Adopted

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

Note 4. Discontinued Operations

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

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

On November 3, 2020, we announced the sale of its DMS Health Technologies, Inc. business unit. The purchase price under the DMS Purchase Agreement is $18.75 million in cash, subject to certain adjustments, including a working capital adjustment. We deemed the disposition of the Mobile Healthcare business unit to represent a strategic shift that will have a major effect on our operations and financial results. As of December 31, 2020, the Mobile Healthcare business met the criteria to be classified as held for sale. This segment is reported on the Consolidated Statement of Operations as discontinued operations and on the Consolidated Balance Sheet as Assets and Liabilities held for sale.

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

The following table summarizes the DMS and MDSS results for the years ended December 2020 and 2019 (in thousands):

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

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

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

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

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

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

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

Note 5. Revenue

Healthcare Product and Product-Related Services Revenues and Services Revenue

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

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

Building and Construction

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

Real Estate and Investments

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

Revenue Recognition

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

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

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

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

Disaggregation of Revenue

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

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

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

Nature of Goods and Services

Mobile Imaging

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

Camera

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

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

Camera Support

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

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

Lease Income

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

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

Building and Construction

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

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

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

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

[(1)] Contract liabilities assumed on business combination

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

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

Contract Costs

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

Note 6. Merger

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 7. Supplementary Balance Sheet Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 8. Fair Value Measurements

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

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

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

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

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

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

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

The investment in equity securities consists of common stock of publicly traded companies. The fair value of these securities is based on the closing prices observed on December 31, 2020 and 2019, respectively. During the year ended December 31, 2020, and 2019, we recorded in the statement of operations unrealized gains of $22 thousand and $62 thousand, respectively.

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

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

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

Note 9. Goodwill

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

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

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

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

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

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

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

Note 10. Debt

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

	December 31, 2020		December 31, 2019	
	Amount	Weighted-Average Interest Rate	Amount (Restated)	Weighted-Average Interest Rate
Revolving Credit Facility - Gerber KBS	$ 1,099	6.00%	$ 1,111	7.50%
Revolving Credit Facility - Premier	—	—%	2,185	6.25%
Revolving Credit Facility - Gerber EBGL	2,016	6.00%	—	—%
Revolving Credit Facility - SNB	12,710	2.64%	17,038	4.26%
Total Short-term Revolving Credit Facility	$ 15,825	3.30%	$ 20,334	4.65%
Gerber - Star Term Loan	$ 262	6.75%	$ —	—%
Premier - Term Loan	419	5.75%	—	—%
Total Short Term Debt	$ 681	6.13%	$ —	—%
Short-term Paycheck Protection Program Notes	$ 1,856	1.00%	$ —	—%
Short-term debt and current portion of long-term debt	$ 18,362	3.17%	$ 20,334	3.98%
Revolving Credit Facility - Premier	$ —	—%	$ 740	6.25%
Total Long-term Revolving Credit Facility	$ —	—%	$ 740	6.25%
Gerber - Star Term Loan	$ 1,058	6.75%	$ —	—%
Premier - Term Loan	321	5.75%	—	—%
Total Long Term Debt	$ 1,379	6.52%	$ —	—%
Long-term Paycheck Protection Program Notes	$ 2,321	1.00%	$ —	—%
Long-term debt, net of current portion	$ 3,700	3.06%	$ 740	6.25%
LSV Co-Invest I Promissory Note (“January Note”)	$ 709	12.00%	$ 595	12.00%
LSV Co-Invest I Promissory Note (“June Note”)	1,220	12.00%	1,023	12.00%
LSVM Note	378	12.00%	301	12.00%
Total Notes Payable To Related Parties [(1)]	$ 2,307	12.00%	$ 1,919	12.00%
Total Debt	$ 24,369	3.99%	$ 22,993	5.32%

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

Term Loan Facilities

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

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

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

Sterling Credit Facility

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

The SNB Loan Agreement is a five-year credit facility maturing in March 2024, with a maximum credit amount of $20.0 million for revolving loans (the "SNB Credit Facility"). Under the SNB Credit Facility, the SNB Borrowers can request the issuance of letters of credit in an aggregate amount not to exceed $0.5 million at any one time outstanding. The borrowings under the SNB Loan Agreement were classified as short-term obligations under GAAP as the agreement contained a subjective acceleration clause and required a lockbox arrangement whereby all receipts are swept daily to reduce borrowings outstanding. As of December 31, 2020, the Company had $0.2 million of letters of credit outstanding and had additional borrowing capacity of $7.3 million.

At the Borrowers' option, the SNB Credit Facility will bear interest at either (i) a Floating LIBOR Rate, as defined in the Loan Agreement, plus a margin of 2.50% per annum; or (ii) a Fixed LIBOR Rate, as defined in the Loan Agreement, plus a margin of 2.25% per annum. As our largest single debt outstanding, our floating rate on this facility at the end of 2020 was 2.64%.

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

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

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

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

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

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

ATRM Loan Agreements

As of December 31, 2020, ATRM had outstanding revolving lines of credit of approximately $3.1 million. Our debt through ATRM primarily included (i) $1.1 million principal outstanding on KBS's $4.0 million revolving credit facility under a Loan and Security Agreement, dated February 23, 2016, (as amended, the "KBS Loan Agreement"), with Gerber Finance Inc. ("Gerber") and (ii) $2.0 million principal outstanding on EBGL's $3.0 million revolving credit facility under a Revolving Credit Loan Agreement, dated June 30, 2017 (as amended, the "Premier Loan Agreement") with Premier Bank ("Premier"), net of an immaterial amount of unamortized financing fees. As of December 31, 2020, ATRM was at the maximum borrowing capacity under both revolving lines of credit, based on the inventory and accounts receivable on that day which fluctuates weekly.

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

KBS Loan Agreement

On February 23, 2016, ATRM, KBS and Main Modular Haulers, Inc. (a subsidiary of ATRM) entered into a Loan and Security Agreement, (as amended, the "KBS Loan Agreement"), with Gerber. The KBS Loan Agreement provides KBS with a revolving line of credit with borrowing availability of up to $4.0 million. Availability under the line of credit is based on a formula tied to KBS's eligible accounts receivable, inventory and other collateral. The KBS Loan Agreement, which was scheduled to expire on February 22, 2018, has been automatically extended for successive one (1) year periods in accordance with its terms and is now scheduled to expire on February 22, 2022. The KBS Loan Agreement will be automatically extended for another one (1) year period unless a party thereto provides prior written notice of termination. As of December 31, 2020, neither party has provided notice of termination. Upon the final expiration of the term of the KBS Loan Agreement, the outstanding principal balance is payable in full. Borrowings bear interest at the prime rate plus 2.75%, equating to 6.00% at December 31, 2020, with interest payable monthly. The KBS Loan Agreement also provides for certain fees payable to Gerber during its term, including a 1.5% annual facilities fee and a 0.10% monthly collateral monitoring fee. KBS's obligations under the KBS Loan Agreement are secured by all of its assets and are guaranteed by ATRM. Unsecured promissory notes issued by KBS and ATRM are subordinate to KBS's obligations under the KBS Loan Agreement. The KBS Loan Agreement contains representations, warranties, affirmative and negative covenants, defined events of default and other provisions customary for financings of this type. Financial covenants require that KBS maintain a maximum leverage ratio (as defined in the KBS Loan Agreement) and KBS not incur a net annual post-tax loss in any fiscal year during the term of the KBS Loan Agreement. The borrowings under the KBS Loan Agreement were classified as short-term obligations under GAAP as the agreement contained a subjective acceleration clause and required a lockbox arrangement whereby all receipts are swept daily to reduce borrowings outstanding. At December 31, 2020, approximately $1.1 million was outstanding under the KBS Loan Agreement.

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

As of December 31, 2020 and 2019, KBS was not in compliance with the financial covenants requiring no net annual post-tax loss for KBS or the minimum leverage ratio covenant as of 2020. The occurrence of any event of default under the KBS Loan Agreement may result in KBS's obligations under the KBS Loan Agreement becoming immediately due and payable. In April 2019, June 2019, February 2020 and February 2021, we obtained a waiver from Gerber for these events.

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

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

On March 5, 2020, in connection with the First EBGL Amendment, Gerber, KBS, ATRM and the Company entered into a Consent and as a Fourteenth Amendment to Loan and Security Agreement that amended the KBS Loan Agreement (the "Consent and Fourteenth Amendment"). Under the terms of the Consent and Fourteenth Amendment, the parties thereto (and the subordinated creditors that consented thereto) consented to the First EBGL Amendment and agreed that cash collateral would no longer be part of the borrowing base and that the borrowing base would no longer be based on cash availability for purposes of the KBS Loan Agreement.

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

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

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

EBGL Premier Note

On June 30, 2017, EdgeBuilder and Glenbrook (together, EBGL) entered into a Revolving Credit Loan Agreement (as amended, "the Premier Loan Agreement") with Premier providing EBGL with a working capital line of credit of up to $3.0 million. The Premier Loan Agreement replaced the prior revolving credit facility under a loan and security agreement with Gerber (the "EBGL Loan Agreement"), which was terminated on the same date and all obligations of EBGL and ATRM in favor of Gerber in connection with the EBGL Loan Agreement were extinguished.

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

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

Gerber Star and EBGL Loans

On January 31, 2020, SRE, 947 Waterford Road, LLC ("947 Waterford"), 300 Park Street, LLC ("300 Park"), and 56 Mechanic Falls Road, LLC ("56 Mechanic" and together with SRE, 947 Waterford, and 300 Park, (the "Star Borrowers"), each an Investments Subsidiary, and the Company, ATRM, KBS, EdgeBuilder, and Glenbrook (collectively, the "Star Credit Parties"), entered into a Loan and Security Agreement (as amended, the "Star Loan Agreement") with Gerber providing the Star Borrowers with a credit facility with borrowing availability of up to $2.5 million ($2.0 million and $0.5 million to KBS and EBGL, respectively) (the "Star Loan"). The advance of $2.0 million to KBS is to be repaid in monthly installments of sixty (60) consecutive equal payments. The advance of $0.5 million to EBGL, which has been temporarily increased by $0.3 million due to be repaid on April 30, 2020, is to be repaid in monthly installments of twelve (12) consecutive equal payments. On February 20, 2020, the Star Borrowers entered into a First Amendment to Loan and Security Agreement (the "First Star Amendment") with Gerber that amended the Star Loan Agreement in order to (i) temporarily advance $0.3 million to EBGL, which amount is to be repaid to Gerber on or before April 30, 2020; (ii) clarify that Gerber can make multiple advances under the Star Loan Agreement, and (iii) to correct the maturity date of the Star Loan. On April 30, 2020, the Star Borrowers entered into a Second Amendment to Loan and Security Agreement (the "Second Star Amendment") with Gerber that amended the Star Loan Agreement in order to change terms of repayment for the advance of $0.3 million to EBGL provided for under the First Star Amendment. Under the terms of the Second Star Amendment, the advance of $0.3 million to EBGL is to be repaid in three (3) consecutive equal monthly installments on the thirtieth (30th) day in each calendar month, commencing May 30, 2020, and in a final installment on or before July 31, 2020. As of September 30, 2020, EBGL repaid $0.3 million to Gerber. As of December 31, 2020, $1.6 million was outstanding under the Star Loan Agreement.

On January 31, 2020, EdgeBuilder and Glenbrook (the "EBGL Borrowers"), each a Construction Subsidiary, and the Company, Star, 947 Waterford, 300 Park, 56 Mechanic, ATRM, and KBS (collectively, the "EBGL Credit Parties"), entered into a Loan and Security Agreement (the "EBGL Loan Agreement") with Gerber providing the EBGL Borrowers with a credit facility with borrowing availability of up to $3.0 million (the "EBGL Loan"). On March 5, 2020, the EBGL Borrowers entered into a First Amendment to Loan and Security Agreement (the "First EBGL Amendment") with Gerber that amended the EBGL Loan Agreement and the KBS Loan Agreement in order to, among other things, include a pledge $0.3 million of cash collateral by LSVI under the EBGL Loan Agreement which, prior to the First EBGL Amendment, was pledged by LSVI in connection with the KBS Loan Agreement. On July 1, 2020, the EBGL Borrowers entered into a Second Amendment to Loan and Security Agreement that amended the EBGL Loan Agreement in order to, among other things, terminate the pledge of $0.3 million in cash collateral. On February 26, 2021, the EBGL Borrowers entered into a third amendment to the EBGL Loan Agreement (the "Third EBGL Amendment") pursuant to which the Company and Gerber agreed to, among other things, eliminate the minimum leverage ratio covenant, lower the minimum EBITDA, and require the borrowers to not incur a net operating loss on bi-annual basis. The Third EBGL Amendment also discharged the EBGL Eberwein Guaranty described below. As of December 31, 2020, $2.0 million was outstanding under the Gerber EBGL revolving credit facility.

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

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

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

The Star Loan Agreement and EBGL Loan Agreement contains representations, warranties, affirmative and negative covenants, events of default and other provisions customary for financings of this type. The financial covenants under the EBGL Loan Agreement applicable to the EBGL Borrowers include maintenance of a minimum tangible net worth, a minimum debt service coverage ratio and minimum net income. The Financial covenants under the Star Loan Agreement applicable to the Star Borrowers include a minimum debt service coverage ratio. The occurrence of any event of default under the Loan Agreements may result in the obligations of the Borrowers becoming immediately due and payable. As of December 31, 2020, EBGL was not in compliance with the financial covenants under the Star Loan Agreement and EBGL Loan Agreement as of 2020. The occurrence of any event of default under the EBGL Loan Agreement may result in EBGL's obligations under the EBGL Loan Agreement becoming immediately due and payable. In February 2021, we obtained a waiver from Gerber for these events and, as part of the Third EBGL Amendment (described above), the Company and Gerber agreed to, among other things, eliminate the minimum leverage ratio covenant, lower the minimum EBITDA, and require the borrowers to not incur a net operating loss on bi-annual basis, as well as discharge the EBGL Eberwein Guaranty.

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

Paycheck Protection Program

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

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

The PPP was established under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) and is administered by the U.S. Small Business Administration (“SBA”). The loans evidenced by the Construction Notes are being made through Bremer Bank (“Bremer”) as lender, and the loans evidenced by the Healthcare Notes are being made through Sterling as lender.

The loans evidenced by the PPP Notes (the “PPP Loans”) have two-year terms and bear interest at a rate of 1.00% per annum. Monthly principal and interest payments under the PPP Loans are deferred for ten months after the end of covered periods. Beginning eleven months from the date of a PPP Note, unless fully forgiven prior thereto, the applicable borrower will pay to its lender thereunder a monthly principal and interest payments. The PPP Loans may be prepaid at any time prior to maturity with no prepayment penalties. The Construction Notes mature on April 30, 2022, and the Healthcare Notes mature two years from the date the loans under the Healthcare Notes are disbursed. Loans under the Company Note and the DIS Note were disbursed on May 12, 2020, and the loans under the DMS Health Note and DMS Imaging Note were disbursed on May 13, 2020.

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

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

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

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

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

Note 11. Commitments and Contingencies

Other Matters

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

Note 12. Leases

Lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We are committed to making future cash payments on non-cancelable operating leases and finance leases (including interest). The future minimum lease payments due under both non-cancelable operating leases and finance leases having initial or remaining lease terms in excess of one year as of December 31, 2020 were as follows (in thousands):

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

Lessor

In the Digirad Health division, we generate lease income in the Diagnostic Services segment, from equipment rentals to customers. Rental contracts are structured as either a weekly or monthly payment arrangement and are accounted for as operating leases. Revenues are recognized on a straight-line basis over the term of the rental. As of December 31, 2020 and 2019, our lease contracts are mainly month to month contracts.

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

Note 13. Share-Based Compensation

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

Stock Options

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

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

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

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

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

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

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

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

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

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

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

Allocation of Share-Based Compensation Expense

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

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

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

Note 14. Income Taxes

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

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

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

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

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

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

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

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

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

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

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

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

We file income tax returns in the U.S. and in various state jurisdictions with varying statutes of limitations. We are no longer subject to income tax examination by tax authorities for years prior to 2016; however, our net operating loss carryforwards and research credit carryforwards arising prior to that year are subject to adjustment. Our policy is to recognize interest expense and penalties related to income tax matters as a component of income tax expense. The accrued interest as of December 31, 2020 and 2019, and interest and penalties recognized during the years ended December 31, 2020 and 2019 were of insignificant amounts.

Note 15. Employee Retirement Plan

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

Note 16. Related Party Transactions

Eberwein Guarantees

SNB

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

Gerber

On March 5, 2020, contemporaneously with the execution and delivery of the First EBGL Amendment, Mr. Eberwein, the Executive Chairman of the Company's board of directors, executed and delivered a Guaranty (the "EBGL Eberwein Guaranty)" to Gerber pursuant to which he guaranteed the performance of all the EBGL Borrowers' obligations to Gerber under the EBGL Loan Agreement, including the full payment of all indebtedness owing by the EBGL Borrowers to Gerber under or in connection with the EBGL Loan Agreement and related financing documents. Mr. Eberwein's obligations under the EBGL Eberwein Guaranty were limited in the aggregate to the amount of (a) $0.5 million, plus (b) costs of Gerber incidental to the enforcement of the EBGL Eberwein Guaranty or any guaranteed obligations. On February 26, 2021, the Third EBGL Amendment discharged the EBGL Eberwein Guaranty and removed Mr. Eberwein as an ancillary guarantor from the EBGL Loan Agreement.

On February 26, 2021, the Third Star Amendment discharged the $2.5 million Gerber Eberwein Guaranty.

Premier

As a condition to the Premier Loan Agreement, Mr. Eberwein entered into a guaranty in favor of Premier, absolutely and unconditionally guaranteeing all of the borrowers' obligations thereunder.

Premier Participation

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

ATRM

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

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

As of December 31, 2020, Mr. Eberwein owned approximately 3.3% of the outstanding Star Equity common stock. In addition, as of December 31, 2020, Mr. Eberwein owned 1,310,036 shares of Company Preferred Stock. Mr. Eberwein as the CEO of LSVM, which is the investment advisor of LSVI, and as the sole manager of LSV GP, which is the general partner of LSVI Mr. Eberwein may be deemed the beneficial owner of the securities held by LSVI. Mr. Eberwein disclaims beneficial ownership of Company Preferred Stock, except to the extent of his pecuniary interest therein.

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

Private Placement

Immediately prior to the closing of the ATRM Merger, the Company issued 300,000 shares of Company Preferred Stock in a private placement (the "Private Placement") to LSVI for a price of $10.00 per share for total proceeds to the Company of $3.0 million. The Private Placement was made pursuant to the terms of a Stock Purchase Agreement, dated as of September 10, 2019. The shares of Company Preferred Stock sold in the Private Placement have not been registered under the Securities Act of 1933, as amended (the "Act"), and may not be resold absent registration under, or exemption from registration under, the Act.

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

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

Put Option Agreement

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

ATRM Notes Payable

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

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

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

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

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

Subordination Agreement

LSVM and LSV Co-Invest I are party to subordination agreements with ATRM and Gerber pursuant to which LSVM and LSV Co-Invest I agreed to subordinate the obligations of ATRM under their unsecured promissory notes to the obligations of the borrowers to Gerber.

Acquisition of LSVM

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

Financial Assistance

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

Joint Venture

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

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

Acquisitions and Leases of Maine Facilities

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

Waterford

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

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

Paris

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

Lease of Maine Facilities

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

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

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

Note 17. Segments

Our business is organized into four reportable segments:

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

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

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

Diagnostic Imaging. Through Diagnostic Imaging, the Company sells our internally developed solid-state gamma cameras, imaging systems and camera maintenance contracts. Our imaging systems include nuclear cardiac imaging systems, as well as general purpose nuclear imaging systems. We sell our imaging systems to physician offices and hospitals primarily in the United States, although we have sold a small number of imaging systems internationally.

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

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

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

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

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

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

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

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

Note 18. Perpetual Preferred Stock

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

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

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

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

Note 19. Subsequent Events

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

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

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

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

On February 26, 2021, the EBGL Borrowers entered into a third amendment to the EBGL Loan Agreement (the "Third EBGL Amendment") pursuant to which the Company and Gerber agreed to, among other things, eliminate the minimum leverage ratio covenant, lower the minimum EBITDA, and require the borrowers to not incur a net operating loss on bi-annual basis. The Third EBGL Amendment also discharged the EBGL Eberwein Guaranty and removed Mr. Eberwein as an ancillary guarantor from the EBGL Loan Agreement.

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

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

As further discussed below, we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were not effective as of December 31, 2020 as a result of the material weakness discussed below.

Management's Report on Internal Control over Financial Reporting

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

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

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

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

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

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

Changes in Internal Control over Financial Reporting

Other than the material weakness described above in this Item 9A, there were no change in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 under the Securities Exchange Act of 1934 that occurred during fourth quarter of 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

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

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

*** As of March 6, 2021**

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

Our Board of Directors

Jeffrey E. Eberwein Age: 50 Director since 2012

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

Committees: None

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

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

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

Matthew G. Molchan Age: 54 Director since 2013
President and Chief Executive Officer of Digirad Health, Inc.

Committees: None

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

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

Michael A. Cunnion Age: 50 Director since 2014
President and Chief Executive Officer, Remedy Health Media

Committees: Audit, Corporate Governance and Compensation (Chairman)

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

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

John W. Sayward Age: 69 Director since 2008
Retired Partner, Nippon Heart Hospital LLC

Committees: Audit (Chairman), Corporate Governance and Compensation

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

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

Mitchell I. Quain Age: 69 Director since 2019
Lead Director, Jason Incorporated

Committees: Audit, Corporate Governance and Compensation

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

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

Our Executive Officers

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

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

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

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

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

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

Delinquent Section 16(a) Reports

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

Code of Business Ethics and Conduct

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

Director Nominations

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

Audit Committee

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

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

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

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

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

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

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

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

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

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

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

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

Narrative Disclosure to Summary Compensation Table.

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

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

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

Fiscal Year 2020.

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

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

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

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

Equity Grants

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

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

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

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

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

Other Compensation

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

Outstanding Equity Awards at Fiscal Year-End

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

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

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

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

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

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

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

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

Potential Payments Upon Termination or Change of Control

Matthew G. Molchan

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

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

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

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

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

David J. Noble

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

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

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

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

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

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

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

Martin B. Shirley

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

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

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

Equity Awards

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

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

COMPENSATION OF DIRECTORS

Annual Retainer

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

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

2020 Director Cash Compensation

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

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

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

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

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

Equity Compensation

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

Director Compensation Table

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

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

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

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

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

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

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

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

Security Ownership of Certain Beneficial Owners and Management

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

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

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

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

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

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

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

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

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

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

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

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

Securities Authorized for Issuance Under Equity Compensation Plans

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

(1) This amount includes the following:

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

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

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

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

Eberwein Guarantees

SNB

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

Gerber

On March 5, 2020, contemporaneously with the execution and delivery of the First EBGL Amendment, Mr. Eberwein, the Executive Chairman of the Company's board of directors, executed and delivered a Guaranty (the "EBGL Eberwein Guaranty)" to Gerber pursuant to which he guaranteed the performance of all the EBGL Borrowers' obligations to Gerber under the EBGL Loan Agreement, including the full payment of all indebtedness owing by the EBGL Borrowers to Gerber under or in connection with the EBGL Loan Agreement and related financing documents. Mr. Eberwein's obligations under the EBGL Eberwein Guaranty were limited in the aggregate to the amount of (a) $0.5 million, plus (b) costs of Gerber incidental to the enforcement of the EBGL Eberwein Guaranty or any guaranteed obligations. On February 26, 2021, the Third EBGL Amendment discharged the EBGL Eberwein Guaranty and removed Mr. Eberwein as an ancillary guarantor from the EBGL Loan Agreement.

On February 26, 2021, the Third Star Amendment discharged the $2.5 million Gerber Eberwein Guaranty.

Premier

As a condition to the Premier Loan Agreement, Mr. Eberwein entered into a guaranty in favor of Premier, absolutely and unconditionally guaranteeing all of the borrowers' obligations thereunder.

Eberwein Premier Participation

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

ATRM

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

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

As of December 31, 2020, Mr. Eberwein owned approximately 3.3% of the outstanding Star Equity common stock. In addition, as of December 31, 2020, Mr. Eberwein owned 1,310,036 shares of Company Preferred Stock. Mr. Eberwein as the CEO of LSVM, which is the investment advisor of LSVI, and as the sole manager of LSV GP, which is the general partner of LSVI Mr. Eberwein may be deemed the beneficial owner of the securities held by LSVI. Mr. Eberwein disclaims beneficial ownership of Company Preferred Stock, except to the extent of his pecuniary interest therein.

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

Private Placement

Immediately prior to the closing of the ATRM Merger, the Company issued 300,000 shares of Company Preferred Stock in a private placement (the “Private Placement”) to LSVI for a price of $10.00 per share for total proceeds to the Company of $3.0 million. The Private Placement was made pursuant to the terms of a Stock Purchase Agreement, dated as of September 10, 2019. The shares of Company Preferred Stock sold in the Private Placement have not been registered under the Securities Act of 1933, as amended (the “Act”), and may not be resold absent registration under, or exemption from registration under, the Act.

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

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

Put Option Agreement

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

ATRM Notes Payable

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

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

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

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

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

Subordination Agreement

LSVM and LSV Co-Invest I are party to subordination agreements with ATRM and Gerber pursuant to which LSVM and LSV Co-Invest I agreed to subordinate the obligations of ATRM under their unsecured promissory notes to the obligations of the borrowers to Gerber.

Acquisition of LSVM

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

Financial Assistance

On May 1, 2019, the special committee of the Company's board of directors (the "Special Committee") approved financial assistance by the Company to ATRM, in the form of advances or cash payments on behalf of ATRM, in order assist ATRM in becoming current with its financial statements and filings with the SEC. Under the terms of this approval, the Company was authorized to advance or spend up to an aggregate maximum amount of $0.4 million, with subsequent increments of $0.01 million subject to further approval by a designated member of the Special Committee. On July 30, 2019, the Special Committee increased the amount of financial assistance that the Company is authorized to provide to $0.8 million. The Company entered into an agreement with ATRM pursuant to which ATRM agreed to repay all such financial assistance if the ATRM Acquisition did not close.

Joint Venture

On December 14, 2018, the Company and ATRM, entered into a joint venture and formed Star Procurement, LLC ("Star Procurement"), with the Company and ATRM each holding a 50% interest in Star Procurement. The purpose of the joint venture was to provide the service of purchasing and selling building materials and related goods to KBS with which Star Procurement entered into a Services Agreement on January 2, 2019. In accordance with the terms of the Star Procurement Limited Liability Company Agreement, the Company made a $1.0 million capital contribution to the joint venture in January 2019.

As of December 31, 2020, and upon the completion of the ATRM Merger, Star Procurement became wholly owned subsidiary of the Company.

Acquisitions and Leases of Maine Facilities

Through its SRE subsidiary, and prior to the completion of the ATRM Merger, the Company purchased two plants in Maine that manufacture modular buildings from KBS, a wholly-owned subsidiary of ATRM. SRE then leased these properties back to KBS, as further described below.

Waterford

On April 3, 2019, 947 Waterford, a wholly-owned subsidiary of SRE, entered into a Purchase and Sale Agreement (the "Waterford Purchase Agreement") with KBS pursuant to which 947 Waterford closed on the purchase of certain real property and related improvements (including buildings) located in Waterford, Maine (the "Waterford Facility") from KBS, and acquired the Waterford Facility. The purchase price of the Waterford Facility was $1.0 million, subject to adjustment for taxes and other charges and assessments.

KBS subleased the manufacturing building located in Waterford, Maine to North Country Steel Inc., a Maine corporation with an initial 5 year term rental agreement, commenced on September 6, 2019. The rental agreement is structured with a monthly payment arrangement and is accounted for as operating lease.

Paris

On April 3, 2019, 300 Park, a wholly-owned subsidiary of SRE, entered into a Purchase and Sale Agreement (the "Park Purchase Agreement") with KBS, pursuant to which 300 Park closed on the purchase of certain real property and related improvements and personal property (including buildings, machinery and equipment) located in Paris, Maine (the "Park Facility") from KBS, and acquired the Park Facility. The purchase price of the Park Facility was $2.9 million, subject to adjustment for taxes and other charges and assessments.

Lease of Maine Facilities

On April 3, 2019, KBS entered into a separate lease agreement with each of 947 Waterford (the "Waterford Lease") and 300 Park (the "Park Lease"). The Waterford Lease has an initial term of 120 months, which is subject to extension. The base rental payments associated with the initial term under the Waterford Lease were estimated to be between $1.2 million and $1.3 million in the aggregate. The Park Lease had an initial term of 120 months, which is subject to extension. The base rental payments associated with the initial term under the Park Lease are estimated to be between $3.3 million and $3.6 million in the aggregate. ATRM had unconditionally guaranteed the performance of all obligations under the Waterford Lease and Park Lease to be performed by KBS under each lease, including, without limitation, the payment of all required rent.

On March 27, 2019, 56 Mechanic, a wholly-owned subsidiary of SRE, purchased from a third party certain property and equipment located in Oxford, Maine (the "Oxford Facility"). The transaction closed on April 25, 2019. The purchase price of the Oxford Facility was $1.2 million, subject to adjustment for taxes and other charges and assessments. On April 3rd and 18th of 2019, KBS signed a lease and an amendment, respectively, with 56 Mechanic (the "Oxford Lease"), which became effective upon the closing of the transaction. The initial term under the Oxford Lease commenced upon delivery of the Oxford Facility to KBS. The Oxford Lease had an initial term of 120 months, which is subject to extension. The base rental payments associated with the initial term under the Oxford Lease were estimated to be between $1.4 million and $1.5 million in the aggregate. ATRM had unconditionally guaranteed the performance of all obligations under the Oxford Lease to be performed by KBS, including, without limitation, the payment of all required rent.

As of September 10, 2019 and upon the completion of the ATRM Merger, the Waterford Lease, the Park Lease and the Oxford Lease are treated as intercompany transactions and eliminated in consolidation.

Director Independence

The Board has determined that each of Michael Cunnion, John Sayward and Mitchell Quain, a majority of the Board, satisfy the criteria for being an "independent director" under the independence standards of Nasdaq (as currently defined in Rule 5605(a)(2) of the NASDAQ rules) and has no material relationship with the Company other than by virtue of his service on the Board. Dimitrios Angelis, who served on the Board until the 2020 Annual Meeting, and John Climaco, who served on the Board until April 6, 2020, both satisfied the criteria for being an "independent director" under the independence standards of Nasdaq. In determining the independence of our directors, the Board of Directors considered all transactions in which the Company and any director had any interest, including those discussed above. The independent directors meet as often as necessary to fulfill their responsibilities, including meeting at least twice annually in executive session without the presence of non-independent directors and management. A full list of directors is set forth above under "ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE – Our Board of Directors."

The Audit Committee of the Board, established in accordance with Section 3(a)(58)(A) of the Exchange Act, currently consists of Messrs. Quain, Cunnion, and Sayward, with Mr. Sayward serving as chairman. All members of the Audit Committee are independent directors as defined in Rule 5605(a)(2) of the NASDAQ listing rules and Rule 10A-3 under the Exchange Act, and no member of the Audit Committee participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years. Prior to his resignation form the Board of Directors on April 6, 2020, Mr. Climaco served on the Audit Committee and was an independent director as defined in applicable Nasdaq rules and Rule 10A-3. Mr. Cunnion was appointed to the Audit Committee following Mr. Climaco's resignation.

The Compensation Committee currently consists of Messrs. Quain, Sayward and Cunnion, with Mr. Cunnion serving as chairman. All members of the Compensation Committee are independent directors as determined in accordance with the Compensation Committee charter and applicable Nasdaq listing rules (Rule 5605(a)(2) of the NASDAQ listing rules). Prior to the expiration of his term as a director, Mr. Angelis served on the Compensation Committee and was an independent director as determined in accordance with the Compensation Committee charter and applicable Nasdaq listing rules.

The Corporate Governance Committee currently consists of Messrs. Cunnion, Sayward and Quain, with Mr. Quain serving as chairman. All members of the Corporate Governance Committee are independent directors (as defined in Rule 5605(a)(2) of the NASDAQ listing rules). Mr. Eberwein, who served on the Corporate Governance Committee until July 21, 2020, was determined by the Board on April 17, 2020, to no longer be independent under the Nasdaq listing rules. Nasdaq Rule 5605(e)(3) permits one non-independent director to serve on the Corporate Governance Committee for a period of up to two years if the Board of Directors has determined that it is in the best interests of the Company and its shareholders. Our Board of Directors has determined that it is in the best interests of the Company and its shareholders for Mr. Eberwein to serve on the Corporate Governance Committee due to his finance expertise, extensive contacts and longtime experience with the Company. Prior to the expiration of his term as a director, Mr. Angelis served on the Corporate Governance Committee and was an independent director as determined in accordance with the applicable Nasdaq listing rules.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Principal Accounting Fees

In connection with the audit of the 2020 consolidated financial statements, we entered into an engagement agreement with BDO USA, LLP ("BDO") which sets forth the terms by which BDO has performed audit and related professional services for us.

The following table sets forth the aggregate accounting fees paid by us to BDO for the past two fiscal years ended December 31, 2020 and 2019. The below fees were paid to BDO ; no other accounting firm was retained to perform the identified accounting work for us. All non-audit related services in the table were pre-approved and/or ratified by the Audit Committee of our Board of Directors.

Type of Fee	For the years ended December 31 2020	2019
	(in thousands)	
Audit Fees	$ 733	$ 786
Audit Related Fees	—	—
Tax Fees	311	139
All Other Fees	—	—
Totals	$ 1,044	$ 925

Types of Fees Explanation

Audit Fees. Audit fees were incurred for accounting services rendered for the audit of our annual consolidated financial statements and reviews of quarterly consolidated financial statements.

Audit-Related Fees. These fees relate to professional services not included in the Audit Fees category and include professional services related to entering into other advisory services. There were no Audit-Related Fees billed for fiscal years ended December 31, 2020 and 2019.

Tax Fees. These fees were billed to us for professional services relating to tax compliance, tax advice and tax planning.

All Other Fees. There were no other fees billed by BDO for the years 2020 and 2019 for products and services.

Audit Committee Pre-Approval of Services by Independent Registered Public Accounting Firm

The Audit Committee is granted the authority and responsibility under its charter to pre-approve all audit and non-audit services provided to the Company by its independent registered public accounting firm, including specific approval of internal control and tax-related services. In exercising this responsibility, the Audit Committee considers whether the provision of each professional accounting service is compatible with maintaining the audit firm's independence. The committee has delegated this pre-approval authority to the Chairperson of the Audit Committee with ratification by the full Audit Committee at its next scheduled meeting.

Pre-approvals are detailed as to the category or professional service and when appropriate are subject to budgetary limits. Company management and the independent registered public accounting firm periodically report to the Audit Committee regarding the scope and fees for professional services provided under the pre-approval.

With respect to the professional services rendered, the Audit Committee had determined that the rendering of all non-audit services by BDO was compatible with maintaining the auditor's independence and had pre-approved all such services.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report:

1. Financial Statements

The financial statements of Star Equity Holdings, Inc. listed below are set forth in Item 8 of this report for the year ended December 31, 2020:

- Report of Independent Registered Public Accounting Firm
- Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2020 and 2019
- Consolidated Balance Sheets at December 31, 2020 and 2019
- Consolidated Statements of Cash Flows for the years ended December 31, 2020 and 2019
- Consolidated Statements of Mezzanine and Stockholders' Equity for the years ended December 31, 2020 and 2019
- Notes to Consolidated Financial Statements

2. Financial Statement Schedules

All other schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

3. Exhibits required by Item 601 of Regulation S-K

The information required by this Section (a)(3) of Item 15 is set forth on the exhibit index below.

EXHIBIT INDEX

Exhibit Number	Description
1.1	Underwriting Agreement, dated May 26, 2020, between Digirad Corporation and Maxim Group LLC (incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed with the Commission on May 29, 2020).
2.1	Agreement of Merger and Plan of Reorganization, dated March 5, 2015 by and between Digirad Corporation, Maleah Incorporated, MD Office Solutions and the Stockholders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on March 6, 2015). Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby agrees to furnish supplementary copies of any of the omitted schedules or exhibits upon request by the Commission.
2.2	Stock Purchase Agreement dated as of October 13, 2015, by and among Digirad Corporation, Project Rendezvous Holding Corporation, the stockholders of Project Rendezvous Holding Corporation, and Platinum Equity Advisors, LLC as the stockholder representative (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the Commission on January 7, 2016). Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby agrees to furnish supplementary copies of any of the omitted schedules or exhibits upon request by the Commission.
2.3	Amendment to Stock Purchase Agreement dated as of December 31, 2015, by and between Digirad Corporation and Platinum Equity Advisors, LLC as the stockholder representative (incorporated by reference to Exhibit 2.2 to the Current Report on Form 8-K filed with the Commission on January 7, 2016).
2.4	Second Amendment to Stock Purchase Agreement dated as of June 7, 2016, by and between Digirad Corporation and Platinum Equity Advisors, LLC as the stockholder representative (incorporated by reference to Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 1, 2016).
2.5	Asset Purchase Agreement by and between DMS Health Technologies, Inc., as Seller, and Philips North America LLC, as Buyer dated as of December 22, 2017 (incorporated by reference to Exhibit 2.8 to the Company's Annual Report on Form 10-K filed with the Commission on February 28, 2018). Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby agrees to furnish supplementary copies of any of the omitted schedules or exhibits upon request by the Commission.
2.6	Agreement and Plan of Merger, dated as of July 3, 2019, by and among Digirad Corporation, ATRM Holdings, Inc. and Digirad Acquisition Corporation (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Commission on July 3, 2019).
3.1	Restated Certificate of Incorporation of Digirad Corporation (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on May 3, 2006).
3.2	Certificate of Designation of Rights, Preferences and Privileges of Series B Participating Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 24, 2013).
3.3	Certificate of Amendment of the Restated Certificate of Incorporation of Digirad Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 5, 2015).
3.4	Certificate of Amendment of the Restated Certificate of Incorporation of Digirad Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 1, 2018).
3.5	Amended and Restated Bylaws of Digirad Corporation dated May 4, 2007 and Amendment No. 1 to the Amended and Restated Bylaws of Digirad Corporation dated April 5, 2017 (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 1, 2017).
3.6	Certificate of Amendment of the Restated Certificate of Incorporation of Digirad Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 31, 2019).
3.7	Certificate of Designations, Rights and Preferences of 10% Series A Cumulative Perpetual Preferred Stock of Digirad Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on September 11, 2019).
3.8	Certificate of Amendment of the Restated Certificate of Incorporation of Digirad Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on December 28, 2020.
4.1	Form of Specimen Stock Certificate (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-1 (File No. 333-113760) filed with the Commission on March 19, 2004).

Exhibit Number	Description
4.2	Preferred Stock Rights Agreement, by and between Digirad Corporation and American Stock Transfer and Trust Company, dated November 22, 2005 (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form 8-A filed with the Commission on November 29, 2005).
4.3	Tax Benefit Preservation Plan by and between Digirad Corporation and American Stock Transfer & Trust Company, dated as of May 23, 2013 (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed by the Company with the Commission on May 24, 2013).
4.4	Tax Benefit Preservation Plan Amendment, dated November 11, 2013, by and between the Company and American Stock Transfer & Trust Company, LLC (incorporated by reference to Exhibit 10.26 to the Company's Annual Report on Form 10-K filed with the Commission on March 20, 2014).
4.5	First Amendment to Preferred Stock Rights Agreement, dated as of March 5, 2015, by and between the Company and American Stock Transfer & Trust Company, LLC (incorporated by reference to Exhibit 4.5 to the Company's Annual Report on Form 10-K filed with the Commission on March 6, 2015).
4.6	Promissory Note, dated January 12, 2018, made by ATRM Holdings, Inc. for the benefit of Lone Star Value Co-Invest I, LP (incorporated by reference to Exhibit 4.1 to ATRM Holdings, Inc.'s Current Report on Form 8-K filed with the Commission on January 19, 2018).
4.7	Promissory Note, dated June 1, 2018, made by ATRM Holdings, Inc. for the benefit of Lone Star Value Co-Invest I, LP (incorporated by reference to Exhibit 4.1 to ATRM Holdings, Inc.'s Current Report on Form 8-K filed with the Commission on June 7, 2018).
4.8	Promissory Note, dated December 17, 2018, made by ATRM Holdings, Inc. for the benefit of Lone Star Value Management, LLC (incorporated by reference to Exhibit 4.2 to ATRM Holdings, Inc.'s Current Report on Form 8-K filed with the Commission on December 18, 2018).
4.9	Description of Registrant's Securities (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 13, 2020).
4.10	Form of Maxim Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on May 29, 2020, referencing Exhibit 1.1 (Underwriting Agreement) to the same Current Report on Form 8-K).
4.11	Form of Warrant (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the Commission on May 29, 2020).
4.12	Warrant Agent Agreement, dated May 28, 2020, between Digirad Corporation and American Stock Transfer & Trust Company, LLC. (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the Commission on May 29, 2020).
10.1#	Digirad Corporation 2004 Stock Incentive Plan, as Amended and Restated on August 2, 2007 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 7, 2007).
10.2#	Form of Notice of Stock Option Award and Stock Option Award Agreement for 2004 Stock Incentive Plan (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K filed with the Commission on March 3, 2005).
10.3#	2004 Non-Employee Director Option Program (incorporated by reference to Exhibit 10.19 to the Company's Amended Registration Statement on Form S-1/A (File No. 333-113760) filed with the Commission on May 24, 2004).
10.4#	Form of Notice of Non-Qualified Stock Option Award and Stock Option Award Agreement for 2004 Non-Employee Director Option Program (incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K filed with the Commission on March 3, 2005).
10.5#	Form of Indemnification Agreement (incorporated by reference to Exhibits 10.20 to the Registration Statement on Form S-1/A (File No. 333-113760) filed with the Commission on April 29, 2004).
10.6#	Employment Agreement, dated as of May 1, 2007, as amended on September 30, 2010, by and between the Company and Matthew G. Molchan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on March 5, 2013).
10.7#	Form of 2011 Inducement Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on July 29, 2011).
10.8#	Form of 2011 Inducement Stock Incentive Plan Stock Option Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on July 29, 2011).

Exhibit Number	Description
10.9#	Form of 2011 Inducement Stock Incentive Plan Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on July 29, 2011).
10.10#	Digirad Corporation 2014 Equity Incentive Award Plan (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 filed with the Commission on June 6, 2014).
10.11#	Form Indemnification Agreement of the Company for directors and officers (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K filed with the Commission on March 6, 2015).
10.12	Registration Rights Agreement, dated March 5, 2015, by and among the Company, Keenan - Thornton Family Trust, David Keenan and Samia Arram (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 1, 2015).
10.13	Consolidated Agreements, dated April 1, 2014, between DMS Health Technologies, Inc. and Philips Healthcare, a Division of Philips Electronics North America Corporation (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 3, 2017).
10.14	Amendment, dated June 9, 2015, to the Consolidated Agreements between DMS Health Technologies, Inc. and Philips Healthcare, a Division of Philips Electronics North America Corporation (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 10-Q filed with the Commission on November 3, 2017).
10.15#	Digirad Corporation 2018 Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on May 1, 2018).
10.16#	Form of 2018 Incentive Plan Restricted Stock Unit Agreement (incorporated by reference to Exhibit 99.2 to the Company's Registration Statement on Form S-8 filed with the Commission on November 6, 2018).
10.17#	Form of 2018 Incentive Plan Restricted Stock Unit Agreement (Performance Based) (incorporated by reference to Exhibit 99.3 to the Company's Registration Statement on Form S-8 filed with the Commission on November 6, 2018).
10.18#	Employment Agreement, by and between Digirad Corporation and David Noble, dated October 31, 2018 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 5, 2018).
10.19#	Indemnification Agreement, by and between Digirad Corporation and David Noble, dated October 25, 2018 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 5, 2018).
10.20	Limited Liability Company Agreement for Star Procurement, LLC, dated December 14, 2018, by and among Star Procurement LLC, Digirad Corporation and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.31 to the Company's Annual Report on Form 10-K filed with the Commission on March 1, 2019).
10.21	Purchase and Sale Agreement, dated March 27, 2019, by and between RJF – Keiser Real Estate, LLC and 56 Mechanic Falls Road, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on April 3, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.22	Purchase and Sale Agreement, dated April 3, 2019, by and between KBS Builders, Inc. and 947 Waterford Road, LLC (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on April 3, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.23	Purchase and Sale Agreement, dated April 3, 2019, by and between KBS Builders, Inc. and 300 Park Street, LLC (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on April 3, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.24	Lease Agreement, dated April 3, 2019, by and between KBS Builders, Inc. and 947 Waterford Road, LLC (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on April 3, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.25	Lease Agreement, dated April 3, 2019, by and between KBS Builders, Inc. and 300 Park Street, LLC (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the Commission on April 3, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.

Exhibit Number	Description
10.26	Lease Agreement, dated April 3, 2019, by and between KBS Builders, Inc. and 56 Mechanic Falls Road, LLC (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 8, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.27	First Amendment to Lease, dated April 18, 2019, by and between 56 Mechanic Falls Road, LLC and KBS Builders, Inc. (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 8, 2019).
10.28	Loan and Security Agreement, dated March 29, 2019, by and among Digirad Corporation, certain subsidiaries of the Digirad Corporation identified on the signature pages thereto, and Sterling National Bank (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the Commission on April 3, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.29	Stock Purchase Agreement, dated as of September 10, 2019, by and between Digirad Corporation and Lone Star Value Investors, LP (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on September 11, 2019).
10.30	Registration Rights Agreement, dated as of September 10, 2019, by and between Digirad Corporation and Lone Star Value Investors, LP (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on September 11, 2019).
10.31	Put Option Purchase Agreement, dated as of September 10, 2019, by and between Digirad Corporation and Jeffrey Eberwein (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on September 11, 2019).
10.32	Consent and Acknowledgment Agreement and Twelfth Amendment to Loan Agreement, dated as of September 10, 2019, by and among Gerber Finance Inc., KBS Builders, Inc., ATRM Holdings, Inc. and Digirad Corporation. (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on September 11, 2019).
10.33	Waiver of Promissory, Note dated July 17, 2019, by Lone Star Value Co-Invest I, LP to Promissory Note dated January 12, 2018, made by ATRM Holdings, Inc. in favor of Lone Star Value Co-Invest I, LP (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2019).
10.34	Waiver of Promissory Note, dated July 17, 2019, by Lone Star Value Co-Invest I, LP to Promissory Note dated June 1, 2018, made by ATRM Holdings, Inc. in favor of Lone Star Value Co-Invest I, LP (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2019).
10.35	Waiver of Promissory Note, dated July 17, 2019, by Lone Star Value Management, LLC to Promissory Note dated December 17, 2018, made by ATRM Holdings, Inc. in favor of Lone Star Value Management, LLC (incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2019).
10.36	Extension/Revision Agreement of Note dated October 1, 2019, by Premier Bank to Promissory Note dated June 30, 2017, made by Glenbrook Building Supply, Inc. and Edgebuilder, Inc. in favor of Premier Bank (incorporated by reference to Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2019).
10.37	Extension/Revision Agreement of Note dated November 1, 2019, by Premier Bank to Promissory Note dated June 30, 2017, made by Glenbrook Building Supply, Inc. and Edgebuilder, Inc. in favor of Premier Bank (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2019).
10.38	Loan and Security Agreement, dated as of February 23, 2016, by and among Gerber Finance Inc., KBS Builders, Inc., Maine Modular Haulers, Inc., and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.1 to ATRM Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Commission on May 16, 2016).
10.39	Third Agreement of Amendment to the Loan and Security Agreement, dated as of September 29, 2017, by and among Gerber Finance, Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.3 to ATRM Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Commission on April 16, 2019).
10.40	Revolving Credit Loan Agreement, dated as of June 30, 2017, by and between Glenbrook Building Supply, Inc., EdgeBuilder, Inc. and Premier Bank (incorporated by reference to Exhibit 10.3 to ATRM Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Commission on April 16, 2019).

Exhibit Number	Description
10.41	Fourth Agreement of Amendment to Loan and Security Agreement, dated as of July 20, 2017, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.1 to ATRM Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Commission on April 16, 2019).
10.42	Fifth Agreement of Amendment to Loan and Security Agreement, dated as of September 29, 2017, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit10.2 to ATRM Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Commission on April 16, 2019).
10.43	Sixth Agreement of Amendment to Loan and Security Agreement, dated as of December 22, 2017, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit10.22 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).
10.44	Securities Purchase Agreement, dated as of January 12, 2018, by and between ATRM Holdings, Inc. and Lone Star Co-Invest I, LP (incorporated by reference to Exhibit 10.1 to ATRM Holdings, Inc.'s Current Report on Form 8-K filed with the Commission on January 19, 2018).
10.45	Securities Purchase Agreement, dated as of June 1, 2018, by and between ATRM Holdings, Inc. and Lone Star Co-Invest I, LP (incorporated by reference to Exhibit 10.1 to ATRM Holdings, Inc.'s Current Report on Form 8-K filed with the Commission on June 7, 2018).
10.46	Eighth Agreement of Amendment to Loan and Security Agreement, dated as of October 1, 2018, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.25 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).
10.47	Securities Purchase Agreement, dated as of December 17, 2018, by and between ATRM Holdings, Inc. and Lone Star Value Management, LLC (incorporated by reference to Exhibit 10.1 to ATRM Holdings, Inc.'s Current Report on Form 8-K filed with the Commission on December 18, 2018).
10.48	Ninth Agreement of Amendment to Loan and Security Agreement, dated as of February 22, 2019, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.29 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).
10.49	Tenth Agreement of Amendment to Loan and Security Agreement, dated as of April 1, 2019, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.30 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).
10.50	Fifth Agreement of Amendment to Loan and Security Agreement, dated as of April 1, 2019, by and among Gerber Finance Inc., Edgebuilder, Inc., Glenbrook Building Supply Inc., ATRM Holdings, Inc. and KBS Builders, Inc. (incorporated by reference to Exhibit 10.31 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).
10.51	Membership Interest Purchase Agreement, dated as of April 1, 2019, by and among ATRM Holdings, Inc., Lone Star Value Management, LLC and Jeffrey E. Eberwein (incorporated by reference to Exhibit 10.3 to ATRM Holdings, Inc.'s Current Report on Form 8-K filed with the Commission on April 26, 2019).
10.52	Eleventh Agreement of Amendment to Loan and Security Agreement, dated as of April 15, 2019, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.39 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).
10.53	Agreement, dated as of May 15, 2019, by and between Digirad Corporation and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.39 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on June 26, 2019).
10.54	Loan and Security Agreement, dated January 31, 2020, by and among Star Real Estate Holdings USA, Inc., 300 Park Street, LLC, 947 Waterford Road, LLC, 56 Mechanic Falls Road, LLC, ATRM Holdings, Inc., EdgeBuilder, Inc., Glenbrook Building Supply, Inc., KBS Builders, Inc., Digirad Corporation, and Gerber Finance Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on February 6, 2020). Schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.55	Loan and Security Agreement, dated January 31, 2020, by and among EdgeBuilder, Inc., Glenbrook Building Supply, Inc., Star Real Estate Holdings USA, Inc., 300 Park Street, LLC, 947 Waterford Road, LLC, 56 Mechanic Falls Road, LLC, ATRM Holdings, Inc., KBS Builders, Inc., Digirad Corporation, and Gerber Finance Inc. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on February 6, 2020). Schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.

Exhibit Number	Description
10.56	Extension and Modification Agreement, dated January 31, 2020, by and among EdgeBuilder, Inc., Glenbrook Building Supply, Inc. and Premier Bank (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on February 6, 2020).
10.57	Thirteenth Amendment to Loan and Security Agreement, dated January 31, 2020, by and among Gerber Finance Inc., KBS Builders, Inc. ATRM Holdings, Inc., and Digirad Corporation (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on February 6, 2020).
10.58	First Amendment to Loan and Security Agreement, dated February 20, 2020, by and among Star Real Estate Holdings USA, Inc., 300 Park Street, LLC, 947 Waterford Road, LLC, 56 Mechanic Falls Road, LLC and Gerber Finance Inc (incorporated by reference to Exhibit 10.63 to the Company's Annual Report on Form 10-K filed with the Commission on March 9, 2020).
10.59	First Amendment to Loan and Security Agreement Dated January 31, 2020, dated as of March 5, 2020, by and among Gerber Finance Inc., EdgeBuilder, Inc. and Glenbrook Building Supply, Inc.; and Consent and as a Fourteenth Amendment to Loan and Security Agreement Dated February 23, 2016, by and among Gerber Finance Inc., KBS Builders, Inc., ATRM Holdings, Inc. and Digirad Corporation (incorporated by reference to Exhibit 10.64 to the Company's Annual Report on Form 10-K filed with the Commission on March 9, 2020).
10.60	Severance Agreement, dated January 28, 2014, between Digirad Corporation and Martin B. Shirley (incorporated by reference to Exhibit 10.65 to the Company's Amendment No. 1 to Annual Report on Form 10-K/A filed with the Commission on April 17, 2020).
10.61	Note, dated April 30, 2020, made by KBS Builders, Inc. in favor of Bremer Bank (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on May 6, 2020).
10.62	Note, dated April 30, 2020, made by EdgeBuilder, Inc. in favor of Bremer Bank (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on May 6, 2020).
10.63	Note, dated April 30, 2020, made by Glenbrook Building Supply Inc. in favor of Bremer Bank (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on May 6, 2020).
10.64	Second Amendment to Loan and Security Agreement, dated April 30, 2020, by and among Star Real Estate Holdings USA, Inc., 300 Park Street, LLC, 947 Waterford Road, LLC, 56 Mechanic Falls Road, LLC and Gerber Finance Inc. (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 15, 2020).
10.65	Fifteenth Amendment to Loan and Security Agreement dated April 1, 2020, between KBS Builders, Inc. and Gerber Finance Inc. (incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 15, 2020).
10.66	Promissory Note, dated May 5, 2020, made by DMS Imaging, Inc. in favor of Sterling National Bank (incorporated by reference to Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 15, 2020).
10.67	Promissory Note, dated May 5, 2020, made by Digirad Imaging Solutions, Inc. in favor of Sterling National Bank (incorporated by reference to Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 15, 2020).
10.68	Promissory Note, dated May 7, 2020, made by DMS Health Technologies, Inc. in favor of Sterling National Bank (incorporated by reference to Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 15, 2020).
10.69	Promissory Note, dated May 7, 2020, made by Digirad Corporation in favor of Sterling National Bank (incorporated by reference to Exhibit 10.15 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 15, 2020).
10.70	Second Amendment to Loan and Security Agreement, dated July 1, 2020, by and among Gerber Finance Inc., EdgeBuilder, Inc., and Glenbrook Building Supply, Inc. (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 13, 2020).
10.71	2018 Incentive Plan, as amended July 31, 2020 (incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 13, 2020).

Exhibit Number	Description
10.72*	First Amendment to Loan and Security Agreement, Consent and Release, dated February 1, 2021, by and among Digirad Health, Inc., Digirad Imaging Solutions, Inc., MD Office Solutions, DMS Health Technologies, Inc., DMS Imaging, Inc., DMS Health Technologies-Canada, Inc., Project Rendezvous Holding Corporation, Project Rendezvous Acquisition Corporation, Digirad Diagnostic Imaging, Inc., Star Equity Holdings, Inc., and Sterling National Bank.
10.73*	Sixteenth Amendment to Loan and Security Agreement, dated January 5, 2021, by and among Gerber Finance Inc., KBS Builders, Inc., ATRM Holdings, Inc., and Star Equity Holdings, Inc.
10.74*	Seventeenth Amendment to Loan and Security Agreement, dated February 26, 2021, by and among Gerber Finance Inc., KBS Builders, Inc., ATRM Holdings, Inc., and Star Equity Holdings, Inc.
10.75*	Third Amendment to Loan and Security Agreement, dated January 31, 2020, by and among Gerber Finance Inc., Star Real Estate Holdings USA, Inc., 300 Park Street, LLC, 947 Waterford Road, LLC, and 56 Mechanic Falls Road, LLC.
10.76*	Third Amendment to Loan and Security Agreement, dated January 31, 2020, by and among Gerber Finance Inc., EdgeBuilder, Inc., and Glenbrook Building Supply, Inc.
10.77*	Stock Purchase Agreement, dated October 30, 2020, by and among Knob Creek Acquisition Corp., Digirad Corporation, Project Rendezvous Acquisition Corporation and DMS Health Technologies, Inc. The schedules and exhibits to this exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.78*	Amendment to Stock Purchase Agreement dated as of March 26, 2021, by and between Project Rendezvous Acquisition Corporation and Knob Creek Acquisition Corp.
21.1*	Subsidiaries of Star Equity Holdings, Inc.
23.1*	Consent of BDO USA, LLP, Independent Registered Public Accounting Firm
24.1*	Power of Attorney (included on the signature page of this Form 10-K)
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*+	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*+	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.LAB*	XBRL Taxonomy Extension Labels Linkbase
101.PRE*	XBRL Taxonomy Presentation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase

\# Indicates management contract or compensatory plan.

* Filed herewith.

\+ The certifications attached as Exhibits 32.1 and 32.2 that accompany this Annual Report on Form 10-K are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Digirad Corporation under the Securities and Exchange Act of 1933, as amended, or the Securities and Exchange Act of 1934, as amended, whether made before or after the date of this 10-K, irrespective of any general incorporation language contained in such filings.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DIGIRAD CORPORATION

Dated: March 29, 2021

By: /s/ JEFFREY E. EBERWEIN
Name: **Jeffrey E. Eberwein**
Title: **Executive Chairman**
(Principal Executive Officer)

Power of Attorney

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Jeffrey E. Eberwein and David J. Noble, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each of said attorneys-in-fact and agents, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that each of said attorneys-in-facts and agents, or his substitute or substitutes, or any of them, shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Name	Title	Date
/S/ JEFFREY E. EBERWEIN **Jeffrey E. Eberwein**	Executive Chairman of the Board and Director *(Principal Executive Officer)*	March 29, 2021
/S/ DAVID J. NOBLE **David J. Noble**	Chief Financial Officer and Chief Operating Officer (*Principal Financial and Accounting Officer*)	March 29, 2021
/S/ MATTHEW G. MOLCHAN **Matthew G. Molchan**	Director	March 29, 2021
/S/ MITCH I. QUAIN **Mitch I. Quain**	Director	March 29, 2021
/S/ MICHAEL A. CUNNION **Michael A. Cunnion**	Director	March 29, 2021
/S/ JOHN W. SAYWARD **John W. Sayward**	Director	March 29, 2021

**FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT,
CONSENT AND RELEASE**

THIS FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT, CONSENT AND RELEASE (this "Amendment") is executed and entered into as of February 1, 2021 (the "Effective Date"), by and among (a) DIGIRAD HEALTH, INC., a Delaware corporation ("Digirad Health"), DIGIRAD IMAGING SOLUTIONS, INC., a Delaware corporation ("Digirad Imaging"), MD OFFICE SOLUTIONS, a California corporation ("MD Office"), DMS HEALTH TECHNOLOGIES, INC., a North Dakota corporation ("DMS Health"), DMS IMAGING, INC., a North Dakota corporation ("DMS Imaging"), DMS HEALTH TECHNOLOGIES-CANADA, INC., a North Dakota corporation ("DMS Health Canada"), PROJECT RENDEZVOUS HOLDING CORPORATION, a Delaware corporation ("PR Holding"), PROJECT RENDEZVOUS ACQUISITION CORPORATION, a Delaware corporation ("PR Acquisition"), and DIGIRAD DIAGNOSTIC IMAGING, INC., a Delaware corporation ("Digirad Diagnostic Imaging", and together with Digirad Health, Digirad Imaging, MD Office, DMS Health, DMS Imaging, DMS Health Canada, PR Holding, and PR Acquisition, collectively, the "Borrowers" and each a "Borrower"), (b) STAR EQUITY HOLDINGS, INC. (formerly known as Digirad Corporation), a Delaware corporation ("Digirad"), as Guarantor, and (c) STERLING NATIONAL BANK, a national banking association (together with its successors and permitted assigns, the "Lender").

W I T N E S S E T H:

WHEREAS, the Borrowers, Guarantor, and Lender entered into that certain Loan and Security Agreement dated as of March 29, 2019 (the "Original Loan Agreement", and as amended hereby and as the same may be further amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"), for the purposes and consideration therein expressed;

WHEREAS, Digirad has entered into that certain Stock Purchase Agreement dated as of February 1, 2021 (the "Purchase Agreement"), with M.D.O.S.C.A, Inc., a California corporation ("Buyer"), pursuant to which Digirad has agreed to sell, and Buyer has agreed to purchase, 1,000 shares of Common Stock, $0.0001 par value (the "Shares") of MD Office, which shares represent one hundred percent (100%) of the issued and outstanding shares of MD Office, for a purchase price of $1,385,000 to be paid in quarterly installments over seven years and to bear interest at a rate of 5% per annum pursuant to the Buyer Note (as defined in the Purchase Agreement), all subject to the terms and conditions set forth in the Purchase Agreement (the "Sale");

WHEREAS, as a separate matter from the Sale, Digirad has notified Lender that Digirad has changed its name to Star Equity Holdings, Inc. effective as of January 1, 2021 (the "Name Change"); and

WHEREAS, the Borrowers and Guarantor have requested Lender to (i) consent to the Sale and the Name Change, and (ii) amend certain provisions of the Original Loan Agreement, in each case pursuant to the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and in the Original Loan Agreement, in consideration of the loans which may hereafter be made by the Lenders to Borrowers, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

Article I

DEFINITIONS AND REFERENCES

Section 1.1. Terms Defined in the Original Loan Agreement

Unless the context otherwise requires or unless otherwise expressly defined herein, the terms defined in the Loan Agreement shall have the same meanings whenever used in this Amendment.

Article II

AMENDMENTS TO ORIGINAL LOAN AGREEMENT

Section 2.1. New Definitions

The following defined terms are hereby added to Section 1.1 of the Original Loan Agreement in the proper alphabetical order:

"First Amendment" means that certain First Amendment to Loan and Security Agreement among the Borrowers, Guarantor, and Lender dated as of the First Amendment Closing Date.

"First Amendment Closing Date" means February 1, 2021.

Section 2.2. Restated Definitions. As of the Effective Date, upon satisfaction in full of the conditions precedent set forth in Article IV hereof, the terms "Borrowers" and "Credit Parties" shall no longer include MD Office; provided, however, that the terms "Borrowers" and "Credit Parties" as used in this Amendment shall include MD Office. Accordingly, the term "Borrowers" set forth in Section 1.1 of the Original Loan Agreement is hereby amended and restated as follows:

"Borrowers" means, collectively, Digirad Health, Digirad Imaging, DMS Health, DMS Imaging, DMS Health Canada, PR Holding, PR Acquisition, Digirad Diagnostic Imaging, Inc., and each other Person who becomes a Borrower hereunder in accordance with the terms of Section 8.16, whether now or hereafter existing, and their successors and assigns; provided, however, that the term "Borrowers" as used in the First Amendment shall also include MD Office.

Section 2.3. Fundamental Changes. The last sentence of Section 9.1 of the Original Loan Agreement is hereby amended and restated as follows:

No Credit Party or Guarantor will change its name, identity, jurisdiction of organization, organizational type or location of its chief executive office or principal place of business unless such Credit Party (or Borrower Representative, on behalf of such Credit Party) or Guarantor gives Lender at least thirty (30) days prior written notice thereof and executes (or causes such applicable Credit Party or Guarantor to execute) all documents and takes (or causes such applicable Credit Party or Guarantor to take) all other actions that Lender reasonably requests in connection therewith, including but not limited to the delivery of a legal opinion to Lender, reasonably satisfactory in form and substance to Lender.

Section 2.4. Schedules. Schedules 7.1, 7.11, 7.17 and 7.21 to the Original Loan Agreement are hereby amended to delete the information highlighted in yellow on Schedules 7.1, 7.11, 7.17 and 7.21 hereto.

Article III

CONSENT; RELEASE; FEES, COSTS AND EXPENSES

Section 3.1. Consent.

Subject to satisfaction in full of the conditions precedent set forth in Article IV hereof, and in reliance on the representations set forth in Article V hereof, the Lender hereby consents to (a) the Sale pursuant to the Purchase Agreement to the extent such Sale would otherwise violate the covenants set forth in Sections 9.8 and 9.12 of the Loan Agreement, and (b) the Name Change, to the extent the Name Change would otherwise violate the covenants set forth in Section 9.1 of the Loan Agreement. The foregoing consents are limited consents and shall not be deemed to constitute a consent with respect to any other current or future departure from the requirements of any provision of the Loan Agreement or any other Loan Documents. The Credit Parties and Guarantor hereby agree that, except as expressly set forth in this Article III, nothing in this Amendment, or the performance by the parties of their respective obligations hereunder, constitutes or shall be deemed to constitute a waiver of any Default or Event of Default or any of the rights or remedies of the Lender under the terms of the Loan Agreement, any other Loan Document or Applicable Law, all of which are hereby reserved. Nothing herein shall be implied or construed to modify the terms of the Loan Documents except as expressly provided herein or to obligate the Lender to grant any further waivers, consents or enter into any additional amendments or modifications of the Loan Agreement or any other Loan Document.

Section 3.2. No Other Waiver or Course of Dealing.

Credit Parties and Guarantor hereby acknowledge and agree that irrespective of (i) the amendments and consents granted herein, (ii) any amendments, consents, waivers or forbearances previously granted by the Lender regarding the Loan Documents; (iii) any previous failures or delays of the Lender in exercising any right, power or privilege under the Loan Documents or the Lender's making of any Loans or other extensions of credit during any period of the existence of a Default or an Event of Default; or (iv) any previous failures or delays of the Lender in the monitoring or in the requiring of compliance by Credit Parties and Guarantor with the duties, obligations and agreements of Credit Parties and Guarantor, respectively, under the Loan Documents, hereafter each Credit Party and Guarantor will be expected to comply strictly with its duties, obligations and agreements applicable to it under the Loan Documents (including any amendments, consents, waivers or forbearances previously expressly granted in writing). Further, the amendments, consents, waivers, forbearances, failures, delays, Loans and extensions of credit described in the foregoing clauses (i) through (iv) shall not constitute a waiver of any past, present or future violation, Default or Event of Default of any Credit Party, Guarantor or any other Person under the Loan Documents, except for the amendments, consents and waivers expressly provided for in this Amendment and shall not directly or indirectly in any way whatsoever either: (a) impair, prejudice or otherwise adversely affect the Lender's right at any time to exercise any right, privilege or remedy in connection with the Loan Documents or any other contract or instrument; or (b) amend or alter any provision of the Loan Documents or any other contract or instrument; or (c) constitute any course of dealing or other basis for altering any obligation of any Credit Party, Guarantor or any other Person or any right, privilege or remedy of the Lender under the Loan Documents or any other contract or instrument; or (d) constitute any consent by the Lender to any prior, existing or future violations of the Loan Documents.

Section 3.3. Partial Release. Upon the satisfaction in full of the conditions precedent set forth in Article IV hereof, (a) MD Office shall no longer be a party to the Loan Agreement, (b) Lender shall release and hereby releases (i) MD Office from all of its obligations and liabilities under the Loan

Agreement and the other Loan Documents, (ii) all Liens in any and all Collateral (other than accounts receivable and any other assets retained by Digirad under the Purchase Agreement) owned by MD Office (the "MD Assets"), and (iii) all Liens in any and all Equity Interests in MD Office (the "MD Equity Interests", and together with the MD Assets, the "Released Property"), and (c) Lender agrees that, at Credit Parties' sole cost and expense, Lender will deliver to Buyer the original stock certificates in its possession representing the MD Equity Interests. The parties hereto acknowledge and agree that Lender is not releasing its security interest or Liens in any Collateral other than the Released Property, and such security interest and Liens in other Collateral granted pursuant to the Loan Agreement and other Loan Documents shall continue in full force and effect.

Section 3.4. Fees, Costs and Expenses.

Credit Parties and Guarantor hereby reaffirm their agreement under the Loan Agreement to pay or reimburse the Lender on demand for all costs and expenses incurred by the Lender in connection with the Loan Documents, including without limitation all reasonable fees and disbursements of the Lender's legal counsel. Without limiting the generality of the foregoing, Credit Parties and Guarantor specifically agree to pay all fees and disbursements of counsel to the Lender for the services performed by such counsel in connection with the preparation of this Amendment and the documents and instruments incidental hereto. Credit Parties and Guarantor hereby agree that the Lender may, at any time or from time to time in its sole discretion and without further authorization by any Credit Party or Guarantor, make one or more Revolving Loans to Borrowers under the Loan Agreement, or apply the proceeds of any Revolving Loan, for the purpose of paying such fees, disbursements, costs and expenses in connection with this Amendment.

Article IV

CONDITIONS OF EFFECTIVENESS

Section 4.1. Effective Date

This Amendment and the amendments, consents and partial release granted herein shall become effective as of the Effective Date once the following conditions precedent have been satisfied in full:

(a) Lender shall have received, at Lender's office, a duly executed counterpart of this Amendment, executed by the Credit Parties and Guarantor;

(b) Lender shall have received (i) true, correct and complete copies of the Purchase Agreement, any and all amendments and modifications thereto, and any and all related documents, and (ii) evidence that all conditions to the closing of the Sale have been satisfied in full and that such closing shall occur concurrently with the effectiveness of this Amendment.

(c) Any and all Debt or other obligations of MD Office to any other Credit Party or Guarantor or of any Credit Party (other than MD Office) or Guarantor to MD Office shall have been paid in full, other than as set forth in the Purchase Agreement;

(d) After giving effect to the Sale, each Credit Party shall be Solvent;

(e) After giving effect to the Sale, the sum of (i) the unpaid principal balance of the Revolving Loans plus (ii) the existing LC Obligations shall not exceed the Borrowing Base excluding the property owned by MD Office;

(f) Lender shall have received, in form and substance satisfactory to Lender, such other documents, instruments and certificates as Lender may reasonably require in connection with the transactions contemplated hereby;

(g) The representations and warranties contained herein and in the Loan Agreement and other Loan Documents shall be true and correct on and as of the First Amendment Closing Date, as though such representations and warranties are made on and as of such date (except to the extent any such representations and warranties relate solely to an earlier date); and

(h) No Default or Event of Default shall have occurred and be continuing.

Article V

REPRESENTATIONS AND WARRANTIES

Section 5.1. Representations, Warranties and Additional Covenants of Credit Parties and Guarantor. In order to induce the Lender to enter into this Amendment, each Credit Party and Guarantor represents and warrants to the Lender that:

(a) The representations and warranties contained in the Loan Agreement are true and correct in all material respects at and as of the time of the effectiveness hereof; provided, however, those representations and warranties containing a reference to a particular date shall continue to be qualified by reference to such date.

(b) Each Credit Party and Guarantor is duly authorized to execute and deliver this Amendment and is and will continue to be duly authorized to perform its obligations under the Loan Agreement and the other Loan Documents to which it is a party. Each Credit Party and Guarantor has duly taken all limited liability company or corporate (as applicable) action necessary to authorize the execution and delivery of this Amendment and to authorize the performance of the obligations of such Credit Party or Guarantor hereunder. The Borrowers (other than MD Office) are and will continue to be authorized to borrow under the Loan Agreement.

(c) The execution and delivery by each Credit Party and Guarantor of this Amendment, the performance by such Credit Party and Guarantor of its obligations hereunder and the consummation of the transactions contemplated hereby do not and will not conflict with any provision of Applicable Law, or of the certificate of formation or incorporation, bylaws, operating agreement or other charter documents of such Credit Party or Guarantor, or of any material agreement, judgment, license, order or permit applicable to or binding upon such Credit Party or Guarantor, or result in the creation of any Lien upon any assets or properties of such Credit Party or Guarantor. Except for those which have been duly obtained and are in full force and effect, no consent, approval, authorization or order of any court or governmental authority or third party is required in connection with the execution and delivery by any Credit Party or Guarantor of this Amendment or to consummate the transactions contemplated hereby.

(d) When duly executed and delivered, this Amendment will be a legal and binding instrument and agreement of each Credit Party and Guarantor, enforceable against such Credit Party and

Guarantor in accordance with its terms, except as limited by bankruptcy, insolvency and similar laws applying to creditors' rights generally and by principles of equity applying to creditors' rights generally.

(e) No Default or Event of Default exists under the Loan Agreement or any of the other Loan Documents, and Credit Parties and Guarantor are in full compliance with all covenants and agreements contained therein.

Article VI

MISCELLANEOUS

Section 6.1. Ratification of Agreement

The Original Loan Agreement as hereby amended is hereby ratified and confirmed in all respects. Any reference to the Loan Agreement in any Loan Document shall be deemed to refer to this Amendment also. The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Lender under the Loan Agreement or any other Loan Document nor constitute a waiver of any provision of the Loan Agreement or any other Loan Document except as expressly set forth herein. The terms and provisions of the Loan Agreement and other Loan Documents are ratified and confirmed and shall continue in full force and effect. Each Credit Party and Guarantor hereby ratifies and confirms that all guaranties, assurances, security interests and liens granted, conveyed or assigned to the Lender under the Loan Documents (as they may have been renewed, extended, increased and amended), other than the Lender's Lien on the Released Property released pursuant to Section 3.3 of this Amendment, are not released, reduced or otherwise adversely affected by this Amendment or the partial release provided herein and continue to guarantee, assure and secure full payment and performance of the present and future Obligations, and agrees to perform such acts and duly authorize, execute, acknowledge, deliver, file and record such additional documents and certificates as the Lender may reasonably request in order to create, perfect, preserve and protect those guaranties, assurances, security interests and liens

Section 6.2. Ratification of Guaranty.

Digirad hereby: (i) confirms and agrees that, notwithstanding this Amendment, the consent and partial release granted herein and consummation of the transactions contemplated hereby, the Guaranty Agreement dated as of March 29, 2019 and executed by Digirad (the "Digirad Guaranty") and all of Digirad's covenants, obligations, agreements, waivers and liabilities under the Digirad Guaranty continue in full force and effect in accordance with their terms with respect to the obligations guaranteed; (ii) reaffirms its waivers of each and every one of the defenses to such obligations as set forth in the Digirad Guaranty; (iii) reaffirms that Digirad's obligations under the Digirad Guaranty are separate and distinct from the obligations of any other party under the Loan Agreement (as modified by this Amendment) and the other Loan Documents; and (iv) waives any defense which might arise due to the execution and delivery of this Amendment, and the performance of the terms hereof or of the Loan Agreement (as modified by this Amendment).

Section 6.3. Survival of Agreements

All representations, warranties, covenants and agreements of the Credit Parties and Guarantor herein shall survive the execution and delivery of this Amendment and the performance hereof, and shall further survive until all of the Obligations are paid in full. All statements and agreements contained in

any certificate or instrument delivered by any Credit Party or Guarantor hereunder or under the Loan Agreement to the Lender shall be deemed to constitute representations and warranties by, or agreements and covenants of, such Credit Party or Guarantor under this Amendment and under the Loan Agreement.

Section 6.4. Loan Documents

This Amendment is a Loan Document, and all provisions in the Loan Agreement pertaining to Loan Documents apply hereto.

Section 6.5. Governing Law

This Amendment shall be construed in accordance with the substantive laws of the State of New York and the obligations, rights and remedies of the parties hereto shall be determined in accordance with such laws without giving effect to the conflicts of laws principles thereof, but including Sections 5.1401 and 5.1402 of the General Obligations Law.

Section 6.6. Counterparts; Fax

This Amendment may be separately executed in counterparts and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same Amendment. This Amendment may be duly executed and delivered by facsimile transmission, electronic mail, or other electronic means.

Section 6.7. Release

Each Credit Party and Guarantor, in each case on behalf of itself and, as applicable, such Credit Party's or Guarantor's predecessors, successors, successors-in-interest, partners, members, shareholders, managers, directors, officers, heirs, beneficiaries, agents and assigns (each, a "Releasing Person" and collectively, the "Releasing Persons"): (i) does hereby forever RELEASE, ACQUIT, REMISE and FOREVER DISCHARGE Lender and its Affiliates, Equity Interest owners, present and former officers, directors, stockholders, members, managers, employees, attorneys, agents and other representatives, and the respective predecessors, successors, successors-in-interest, assigns, heirs, and representatives of each of the foregoing (each, a "Releasee" and collectively, the "Releasees") from any and all actions, causes of action, counterclaims, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, rights, claims, demands, liabilities, losses, rights to reimbursement, subrogation, indemnification or other payment, costs or expenses, and reasonable attorneys' fees, whether in law or in equity, of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, and whether representing a past, present or future obligation of the Releasees, or any of them, that any of the Releasing Persons ever had from the beginning of time, may have or hereafter can, may or shall have against the Releasees, or any of them, which have arisen or accrued prior to or as of the date of this Amendment, in each case to the extent in any way relating to or arising out of or in connection with: (a) any of the Obligations or the Loan Documents; (b) any of the transactions consummated under any of the Loan Documents; (c) the making of any Loan or the use of the proceeds thereof; (d) the Collateral; (e) the exercise by Lender of any right or remedy under or with respect to the Loan Documents, the Obligations, or the Collateral; (f) the conduct of the relationship between or among the Lender and any one or more of the Credit Parties or Guarantor; (g) fraud, dominion, control, alter ego, instrumentality, misrepresentation, NEGLIGENT MISREPRESENTATION, duress, coercion, undue influence, interference, NEGLIGENCE OR GROSS NEGLIGENCE, business interruption or lost profits, slander, libel or damage to reputation; (h) estoppel, promissory estoppel or waiver; (i) usury or penalty or damages therefor, from any advances

or loans, or from the contracting for, charging, taking, reserving, collecting or receiving interest in excess of the highest lawful rate; (j) intentional or negligent infliction of mental distress, tortious interference with contractual relations, tortious interference with governance or prospective business advantage, or mistake; (k) any act, failure to act, event, omission, transfer, payment or transaction occurring on or prior to the date of this Amendment; (l) any fee, penalty or payment charged or paid under or in connection with the Loan Documents or this Amendment; or (m) the negotiation of this Amendment and any Loan Documents (each a "Claim" and collectively, "Claims") and (ii) does hereby agree and covenant not to assert or prosecute against any or all of the Releasees any Claims.

THIS AMENDMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

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IN WITNESS WHEREOF, this Amendment is duly executed and delivered as of the date first above written.

BORROWERS:

DIGIRAD HEALTH, INC.
MD OFFICE SOLUTIONS
PROJECT RENDEZVOUS HOLDING CORPORATION
PROJECT RENDEZVOUS ACQUISITION CORPORATION
DMS HEALTH TECHNOLOGIES, INC.
DMS IMAGING, INC.
DMS HEALTH TECHNOLOGIES – CANADA, INC.
DIGIRAD DIAGNOSTIC IMAGING, INC.

By: /s/ Matt Molchan
Name: Matt Molchan
Title: President and CEO

DIGIRAD IMAGING SOLUTIONS, INC.

By: /s/ Matt Molchan
Name: Matt Molchan
Title: President and CEO

GUARANTOR: STAR EQUITY HOLDINGS, INC. (formerly known as Digirad Corporation), as Guarantor

By: /s/ Jeff Eberwein
Name: Jeff Eberwein
Title: Executive Chairman

LENDER: STERLING NATIONAL BANK, as Lender

By: /s/ Greg Gentry
Name: Greg Gentry
Title: Senior Managing Director

SIXTEENTH AMENDMENT TO LOAN AND SECURITY AGREEMENT

THIS SIXTEENTH AMENDMENT TO LOAN AND SECURITY AGREEMENT(this "Agreement") is entered into as of this 5th day of January, 2021 (the "Effective Date"), by and among **Gerber Finance Inc. (**"Lender"), **KBS Builders, Inc.,** a Delaware corporation, (the "Borrower"), **ATRM Holdings, Inc.,** a Minnesota corporation, and **Star Equity Holdings, Inc.** (previously known as **Digirad Corporation)**, a Delaware corporation (individually or collectively, as the context may require, "Guarantor"), having an address at 53 Forest Ave, Old Greenwich, CT 06831.

RECITALS

A. Borrower has executed and delivered to Lender a certain Promissory Note, dated February 23, 2016, in the original maximum principal sum of Four Million Dollars ($4,000,000.00) (the "Note") payable to the order of Lender.

B. Lender and Borrower entered into a Loan and Security Agreement dated as of February 23, 2016, as amended by (i) the First Amendment to Loan and Security Agreement dated November 30, 2016, (ii) the Second Amendment to Loan and Security Agreement dated November 30, 2016, (iii) the Third Amendment to Loan and Security Agreement dated June 30, 2017, (iv) the Fourth Amendment to Loan and Security Agreement dated July 19, 2017, (v) the Fifth Amendment to Loan and Security Agreement dated September 29, 2017, (vi) the Sixth Amendment to Loan and Security Agreement dated December 22, 2017, (vii) a series of emails between representatives of the parties sent January 12 - 14, 2018 characterized as a Seventh Agreement of Amendment to Loan and Security Agreement), (viii) the Eight Amendment to Loan and Security Agreement dated October 1, 2018, (ix) the Ninth Amendment to Loan and Security Agreement dated February 22, 2019, (x) the Tenth Amendment to Loan and Security Agreement dated April 1, 2019, (xi) the Eleventh Amendment to Loan and Security Agreement dated April 15, 2019, (xii) Consent and Acknowledgement Agreement and Twelfth Amendment to Loan Agreement dated September 10, 2019, (xiii) the Thirteenth Amendment to Loan and Security Agreement dated January 31, 2020, (xiv) the Fourteenth Amendment to Loan and Security Agreement dated March 5, 2020, and (xv) the Fifteenth Amendment to Loan and Security Agreement dated April 1, 2020 (such Loan and Security Agreement, as so amended and as it may be further amended, restated, supplemented or otherwise modified from time to time, being the "Loan Agreement"). Capitalized terms used herein and not otherwise defined shall have the respective meanings ascribed thereto in the Loan Agreement.

C. The Loans are secured by, among other things, each Guarantor's guaranty by its execution of the Loan Agreement as a Corporate Credit Party ("Guaranty").

D. ATRM Holdings, Inc. has executed an Amended and Restated Subordination Agreement dated January 31, 2020 and is a Subordinated Lender as defined in the Loan Agreement.

E. Lone Star Co-Invest I, LP has executed an Amended and Restated Subordination Agreement dated January 31. 2020; Lone Star Value Management, LLC has executed an Amended and Restated Subordination Agreement dated January 31, 2020; and each is a Subordinated Lender as defined in the Loan Agreement.

F. Star Equity Holdings, Inc. (previously known as Digirad Corporation) has executed an Amended and Restated Subordination Agreement dated January 31, 2020, and is a Subordinated Lender as defined in the Loan Agreement.

G. Star Procurement, LLC has executed an Amended and Restated Subordination Agreement dated January 31, 2020 and is a Subordinated Lender as defined in the Loan Agreement.

H. The Note, the Guaranty, each Subordination Agreement, the Loan Agreement, and all other Credit Documents and Ancillary Loan Documents executed by Borrower and Guarantor, Credit Parties and Ancillary Credit Parties and/or others in connection with the Loans in effect and as amended prior to the date hereof are hereafter collectively referred to as the "Original Loan Documents." The Original Loan Documents, as further amended by this Agreement, and any and all other documents executed in connection with this Agreement, all as same may be further modified, amended, restated, consolidated, renewed, or replaced are hereafter collectively referred to as the "Loan Documents."

I. On December 23, 2020 an amendment to the Certificate of Incorporation of Digirad Corporation was executed with the State of Delaware changing the name of Digirad Corporation to Star Equity Holdings, Inc. effective January 1, 2021.

NOW, THEREFORE, in consideration of the covenants and agreements set forth herein, in consideration of the Recitals above which are incorporated into and made a part of this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendments to Loan Documents. Borrower, each Guarantor, each Credit Party, each Ancillary Credit Party and Lender agree (or to the extent they are not a party thereto, acknowledge) that the Loan Documents are hereby amended as of the Effective Date as follows:

(a) The following definitions as set forth in Section 1.1 of the Loan Agreement are hereby inserted in the place of existing definitions as follows:

"Ancillary Credit Parties" means each Person (other than Lender) that executes any or multiple Credit Documents but not the Loan Agreement including but not limited to Jeffrey
E. Eberwein, who has executed two separate instruments of Guaranty dated November 20, 2017 and September 28, 2018, Lone Star Co-Invest I, LP, Lone Star Value Management, LLC, and Star Procurement, LLC which has each executed an Amended and Restated Subordination Agreement dated January 31, 2020."

"Eligible Finished Goods Inventory" means Inventory owned by Borrower which Lender, in its sole and absolute discretion, determines: (a) is subject to a first priority perfected Lien in favor of Lender and is subject to no other Liens whatsoever other than Permitted Liens; (b) is located on premises owned or operated by Borrower; (c) is located on premises with respect to which Lender has received a landlord, mortgagee or warehouse agreement acceptable in form and substance to Lender; (d) is not in transit; (e) is not covered by a negotiable document of title, unless such document and evidence of acceptable insurance covering such Inventory has been delivered to Lender; (f) is in good condition and meets all standards imposed by any governmental agency, or department or division thereof having regulatory Governmental Authority over such Inventory, its use or sale including the Federal Fair Labor Standards Act of 1938 as amended, and all rules, regulations and orders thereunder; (g) is currently (i) fully assembled, completed and saleable in the form of completed homes consisting of multiple modules assembled together ready for sale and not yet invoiced or delivered to a particular customer of the Borrower and (ii) for which title remains with Borrower; (h) is not placed by Borrower on consignment or held by Borrower on consignment or other claim or offset from another Person; (i) is in conformity with the representations and warranties made by Borrower to Lender with respect thereto; (j) is not subject to any licensing, patent, royalty, trademark, trade name or copyright agreement with any third parties; (k) does not require the consent of any Person for the completion of

manufacture, sale or other disposition of such Inventory by Lender following an Event of Default and such completion, manufacture or sale does not constitute a breach or default under any contract or agreement to which Borrower is a party or to which such Inventory is or may be subject; (l) is not work-in-process, Eligible Raw Materials Inventory, or otherwise raw materials; (m) is covered by casualty insurance acceptable to Lender; (n) is not obsolete, defective or slow moving inventory; (o) is not packing or sample inventory; and (p) not to be ineligible for any other reason."

"Inventory Availability" means the aggregate principal amount of Revolving Credit Advances against Eligible Inventory that Lender may from time to time make available to Borrower, which aggregate principal amount will not exceed the lesser of

(a) the sum of

a. the lesser of

i. fifty percent (50%) of the value of Borrower's Eligible Finished Goods Inventory (calculated on the basis of lower of cost or market on a first-in first-out basis) less deposits or

ii. $500,000,

plus

b. the lesser of

i. fifty percent (50%) of the value of Borrower's Eligible Raw Material Inventory (calculated on the basis of the lower of cost or market, on a first- in first-out basis) or

ii. $500,000;

or

(b) the lesser of

a. 1.25 times the amount of Accounts Availability, or

b. $1,000,000."

(b) The provisions of Article IX of the Loan Agreement are hereby amended to provide that they do not apply to Star Equity Holdings, Inc. (previously known as Digirad Corporation).

(c) The provisions of Sections 10.1, 10.2, 10.3, 10.4, 10.5 and 10.6 of the Loan Agreement are hereby amended to extend and apply to each Borrower and ATRM Holdings, Inc.

2. Borrower Confirmation of Loan Documents. Nothing contained herein shall limit, impair, terminate or revoke the obligations of the parties under the Loan Documents, and such obligations shall continue in full force and effect in accordance with the respective terms and provisions of the Loan Documents, as modified hereby. Borrower hereby ratifies and agrees to pay when due all sums due or to become due or owing under the Loan Agreement or the other Loan Documents and the parties shall hereafter faithfully perform all of its obligations under and be bound by all of the provisions of the Loan Documents, as modified hereby, and hereby ratifies and reaffirms all of its obligations and liabilities under the Loan Documents, as modified hereby.

3. Same Indebtedness; Priority of Liens Not Affected. This Agreement and the execution of the other documents required to be executed in connection herewith do not constitute the creation of a new debt or the extinguishment of the debt evidenced by the Loan Documents, nor will they in any way affect or impair the liens and security interests created by the Loan Documents except as otherwise provided with respect to the Discharge. The parties agree that the lien and security interests created by the Loan Documents continue to be in full force and effect, unaffected and unimpaired by this Agreement and that said liens and security interests shall so continue in their perfection and priority until the Obligations secured by the Loan Documents are fully discharged.

4. Release and Covenant Not to Sue. Each of Borrower and Guarantor and the Credit Parties on behalf of itself and its affiliates, heirs, successors and assigns (collectively, "Releasing Parties"), hereby releases and forever discharges Lender, any trustee of the Loans, any servicer of the Loans, each of their respective predecessors-in-interest and successors and assigns, together with the officers, directors, partners, employees, investors, certificate holders and agents of each of the foregoing (collectively, the "Lender Parties"), from all debts, accountings, bonds, warranties, representations, covenants, promises, contracts, controversies, agreements, claims, damages, judgments, executions, actions, inactions, liabilities, demands or causes of action of any nature, at law or in equity, known or unknown, which such Releasing Party has or had prior to and including the date hereof relating in any manner whatsoever to matters arising out of: (a) the Loans, including, without limitation, its funding, administration and servicing; (b) the Loan Documents; or (c) any reserve and/or escrow balances held by Lender or any servicers of the Loans.

5. Indemnity. Borrower, Guarantor and each of the Credit Parties, jointly and severally, agree to reimburse, defend, indemnify and hold Lender harmless from and against any and all liabilities, claims, damages, penalties, reasonable expenditures, losses or charges (including, but not limited to, all reasonable legal fees and court costs), which may now or in the future be undertaken, suffered, paid, awarded, assessed or otherwise incurred as a result of or arising out of any fraudulent conduct of Borrower, Guarantor or any Credit Party in connection with this Agreement or of any breach of any of the representations or warranties made in any material respect.

6. Costs and Expenses. The following fees, costs and expenses charged or incurred by Lender as a result of the Loans to Borrower in connection with this Agreement and the actions contemplated hereunder shall be paid by the Borrower on the Effective Date: (i) an amendment fee of $2,500 which shall be deemed earned and payable on the Effective Date and not subject to proration; (ii) reasonable attorney's fees incurred by Lender's counsel; (iii) all out of pocket costs and expenses incurred by Lender. To the extent that Borrower fails to satisfy any obligation under this Section 6, Guarantor shall be liable.

7. Notices. With respect to all notices or other written communications hereunder, such notice or written communication shall be given in writing, and shall be deemed effective upon delivery pursuant to the Loan Agreement.

8. Loan Documents. This Agreement and all other documents executed in connection herewith shall each constitute a Loan Document for all purposes under the Note, the Guaranty, the Subordination Agreement, the Loan Agreement and the other Loan Documents. All references in each of the Loan Documents to the Loan Agreement shall be deemed to be a reference to the Loan Agreement as amended by this Agreement and as the same may be further amended, restated, replaced, supplemented, renewed, extended or otherwise modified from time to time. All

references in each of the Loan Documents to the Loan Documents or to any particular Loan Document shall be deemed to be a reference to such Loan Documents as amended by this Agreement, and as the same may be further amended, restated, replaced, supplemented, renewed, extended or otherwise modified from time to time. All references in the Loan Documents to a particular section of a Loan Document shall be deemed to be a reference to the particular section of such Loan Document as amended by this Agreement, and as the same may be further amended, restated, replaced, supplemented, renewed, extended or otherwise modified from time to time.

9. No Other Amendments. Except as expressly amended hereby, each Loan Document shall remain in full force and effect in accordance with its terms and provisions, without any waiver, amendment or modification of any provision thereof.

10. No Further Modifications. This Agreement may not be amended, modified or otherwise changed in any manner except by a writing executed by all of the parties hereto.

11. Severability. In case any provision of this Agreement shall be invalid, illegal, or unenforceable, such provision shall be deemed to have been modified to the extent necessary to make it valid, legal and enforceable. The validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

12. Successors and Assigns. This Agreement is binding on, and shall inure to the benefit of the parties hereto, their administrators, executors, and successors and assigns; provided, however, that Borrower, each Credit Party and each Guarantor may only assign its rights hereunder to the extent permitted in the Loan Documents.

13. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, without giving effect to the conflict of laws provisions of said state.

14. Entire Agreement. This Agreement constitutes all of the agreements among the parties relating to the matters set forth herein and supersedes all other prior or concurrent oral or written letters, agreements and understandings with respect to the matters set forth herein.

15. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed is deemed to be an original and all of which taken together constitute but one and the same agreement. Delivery of an executed counterpart of this Agreement by facsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by facsimile or other electronic method of transmission also shall deliver an original executed counterpart of this Agreement but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement.

16. WAIVER OF TRIAL BY JURY. BORROWER, GUARANTOR, EACH OF THE CREDIT PARTIES AND LENDER EACH HEREBY AGREES NOT TO ELECT A TRIAL BY JURY, AND WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THIS AGREEMENT, THE LOAN DOCUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE. LENDER IS HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER.

[*Signatures appear on the following pages*]

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed as of the day and year first above written.

LENDER:

GERBER FINANCE, INC.

By: **/s/ Kevin McGarry** Name: Kevin McGarry
Title: Chief Credit Officer

BORROWER:

KBS BUILDERS, INC.

By: **/s/ Matthew Mosher** Name: Matthew Mosher
Title: General Manager

GUARANTOR:

ATRM HOLDINGS, INC.

By: **/s/ David J. Noble** Name: David J. Noble
Title: President

STAR EQUITY HOLDINGS, INC.

By: **/s/ Jeffrey E. Eberwein**
Name: Jeffrey E. Eberwein
Title: Executive Chairman

[Signature Page to Sixteenth Amendment to Loan and Security Agreement-Consent Page Follows]

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed as of the day and year first above written.

LENDER:

GERBER FINANCE, INC.

By:**/s/ Jennifer Palmer**
Name: Jennifer Palmer
Title: Chief Executive Officer

BORROWER:

KBS BUILDERS, INC.

By:**/s/ Matthew Mosh**er
Name: Matthew Mosher
Title: General Manager

GUARANTOR:

ATRM HOLDINGS, INC.

By:**/s/ David J. Noble**
Name: David J. Noble
Title: President

STAR EQUITY HOLDINGS, INC.

By: **/s/ Jeffrey E. Eberwein**
Name: Jeffrey E. Eberwein
Title: Executive Chairman

[Signature Page to Sixteenth Amendment to Loan and Security Agreement-Consent Page Follows]

CONSENT TO SIXTEENTH AMENDMENT TO LOAN AND SECURITY AGREEMENT

We hereby consent and agree to the attached terms of the Sixteenth Amendment to Loan and Security Agreement.

LONE STAR VALUE CO-INVEST I, LP
(as Creditor pursuant to Amended and Restated Subordination Agreement dated January 31, 2020)

By: /s/ Jeffrey E. Eberwein
Name: Jeffrey E. Eberwein
Title: Sole Member, Lone Star Value Investors GP, LLC

LONE STAR VALUE MANAGEMENT, LLC
(as Creditor pursuant to Amended and Restated Subordination Agreement dated January 31, 2020)

By: /s/ Jeffrey E. Eberwein
Name: Jeffrey E. Eberwein
Title: CEO

STAR PROCUREMENT, LLC
(as Creditor pursuant to Amended and Restated Subordination Agreement dated January 31, 2020)

By: /s/ David J. Noble
Name: David Noble
Title: Manager

ATRM HOLDINGS, INC.
(as Creditor pursuant to Amended and Restated Subordination Agreement dated January 31, 2020)

By: /s/ David J. Noble
Name: David J. Noble
Title: President

STAR EQUITY HOLDINGS, INC.
(as Creditor pursuant to Amended and Restated Subordination Agreement dated January 31, 2020)

By: /s/ Jeffrey E. Eberwein
Name: Jeffrey E. Eberwein
Title: Executive Chairman

[*Signature Page to Consent to Sixteenth Amendment to Loan and Security Agreement- continued on following page]*

ACKNOWLEDGMENT AND AGREEMENT OF GUARANTOR

The undersigned, an ancillary guarantor of the indebtedness of KBS BUILDERS, INC ("Borrower") to GERBER FINANCE, INC. ("Lender") pursuant to guaranties dates November 20, 2017 and September 28, 2018 hereby (i) acknowledge receipt of the foregoing Amendment;
(ii) consent to the terms and execution thereof; (iii) reaffirm his obligations to Lender pursuant to the terms of his Guaranty; and (iv) acknowledge that Lender may amend, restate, extend, renew or otherwise modify the Loan Agreement and any indebtedness or agreement of Borrower, or enter into any agreement or extend additional or other credit accommodations, without notifying or obtaining the consent of the undersigned and without impairing the liability of the undersigned under his/its Guaranty for all of Borrower's present and future indebtedness to Lender.

/s/ Jeffrey E. Eberwein
Jeffrey E. Eberwein

[*End* of *Acknowledgment of Consent to Sixteenth Amendment to Loan and Security Agreement]*

EXHIBIT 10.74

SEVENTEENTH AMENDMENT TO LOAN AND SECURITY AGREEMENT

THIS SEVENTEENTH AMENDMENT TO LOAN AND SECURITY AGREEMENT (this "Seventeenth Amendment") is entered into as of this 26th day of February, 2021 (the "Effective Date"), by and among **Gerber Finance Inc. (**"Lender"), **KBS Builders, Inc.,** a Delaware corporation, (the "Borrower"), **ATRM Holdings, Inc.,** a Minnesota corporation, and **Star Equity Holdings, Inc.**, a Delaware corporation (individually or collectively, as the context may require, "Guarantor"), having an address at 53 Forest Ave, Old Greenwich, CT 06831.

RECITALS

A. Borrower has executed and delivered to Lender a certain Promissory Note, dated February 23, 2016, in the original maximum principal sum of Four Million Dollars ($4,000,000.00) (the "Note") payable to the order of Lender.

B. Lender and Borrower entered into a Loan and Security Agreement dated as of February 23, 2016, as amended by (i) the First Amendment to Loan and Security Agreement dated November 30, 2016, (ii) the Second Amendment to Loan and Security Agreement dated November 30, 2016, (iii) the Third Amendment to Loan and Security Agreement dated June 30, 2017, (iv) the Fourth Amendment to Loan and Security Agreement dated July 19, 2017, (v) the Fifth Amendment to Loan and Security Agreement dated September 29, 2017, (vi) the Sixth Amendment to Loan and Security Agreement dated December 22, 2017, (vii) a series of emails between representatives of the parties sent January 12 - 14, 2018 characterized as a Seventh Agreement of Amendment to Loan and Security Agreement), (viii) the Eight Amendment to Loan and Security Agreement dated October 1, 2018, (ix) the Ninth Amendment to Loan and Security Agreement dated February 22, 2019, (x) the Tenth Amendment to Loan and Security Agreement dated April 1, 2019, (xi) the Eleventh Amendment to Loan and Security Agreement dated April 15, 2019, (xii) Consent and Acknowledgement Agreement and Twelfth Amendment to Loan Agreement dated September 10, 2019, (xiii) the Thirteenth Amendment to Loan and Security Agreement dated January 31, 2020, (xiv) the Fourteenth Amendment to Loan and Security Agreement dated March 5, 2020, (xv) the Fifteenth Amendment to Loan and Security Agreement dated April 1, 2020, and (xvi) the Sixteenth Amendment to Loan and Security Agreement dated January 5, 2021 (such Loan and Security Agreement, as so amended and as it may be further amended, restated, supplemented or otherwise modified from time to time, being the "Loan Agreement"). Capitalized terms used herein and not otherwise defined shall have the respective meanings ascribed thereto in the Loan Agreement.

C. The Loans are secured by, among other things, each Guarantor's guaranty by its execution of the Loan Agreement as a Corporate Credit Party ("Guaranty").

D. ATRM Holdings, Inc. has executed an Amended and Restated Subordination Agreement dated January 31, 2020 and is a Subordinated Lender as defined in the Loan Agreement.

E. Lone Star Co-Invest I, LP has executed an Amended and Restated Subordination Agreement dated January 31. 2020; Lone Star Value Management, LLC has executed an Amended and Restated Subordination Agreement dated January 31, 2020; and each is a Subordinated Lender as defined in the Loan Agreement.

F. Star Equity Holdings, Inc. has executed an Amended and Restated Subordination Agreement dated January 31, 2020, and is a Subordinated Lender as defined in the Loan Agreement.

G. Star Procurement, LLC has executed an Amended and Restated Subordination Agreement dated January 31, 2020 and is a Subordinated Lender as defined in the Loan Agreement.

H. The Note, the Guaranty, each Subordination Agreement, the Loan Agreement, and all other Credit Documents and Ancillary Loan Documents executed by Borrower and Guarantor, Credit Parties and Ancillary Credit Parties and/or others in connection with the Loans in effect and as amended prior to the date hereof are hereafter collectively referred to as the "Credit Documents".

NOW, THEREFORE, in consideration of the covenants and agreements set forth herein, in consideration of the Recitals above which are incorporated into and made a part of this Seventeenth Amendment and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Borrower, each Guarantor, each Credit Party, each Ancillary Credit Party and Lender agree (or to the extent they are not a party thereto, acknowledge) that the Credit Documents are hereby amended as of the Effective Date as follows:

1. Schedule III is hereby amended and restated to read as set forth on the attached Schedule III:

2. In consideration of the execution of this Seventeenth Amendment, the Guaranty of Jeffrey E. Eberwein dated November 20, 2017 in the maximum principal amount of $500,000 is hereby discharged and Jeffrey E. Eberwein is no longer an Ancillary Credit Party as defined in the Loan Agreement. In further consideration thereof, each Corporate Credit Party acknowledges that its Guaranty includes those Obligations as defined in the Guaranty of Jeffrey E. Eberwein.

3. The Borrower's failure to comply with the "Net Income" financial covenant on Schedule III of the Loan Agreement as of December 31, 2020 constitutes an Event of Default under the Loan Agreement. Lender hereby agrees to grant a waiver thereof provided, however, that this waiver does not constitute (i) a modification or an alteration of any of the terms, conditions or covenants of the Loan Agreement or any Credit Documents, all of which remain in full force and effect, or (ii) a waiver, release or limitation upon Lender's exercise of any of its rights and remedies thereunder, all of which are hereby expressly reserved, or (iii) a waiver of compliance with Schedule III as amended in this Seventeenth Amendment for any other period or purpose. This waiver does not relieve or release the Borrower in any way from any of the other respective duties, obligations, covenants or agreements under the Loan Agreement or the other Credit Documents or from the consequences of any other Event of Default thereunder, except as expressly described above. This waiver does not obligate Lender, or be construed to require Lender, to waive any other Event of Default or defaults, whether now existing or which may occur after the date of this waiver.

4. Nothing contained herein shall limit, impair, terminate or revoke the obligations of the parties under the Credit Documents, and such obligations shall continue in full force and effect in accordance with the respective terms and provisions of the Credit Documents, as modified hereby. Borrower hereby ratifies and agrees to pay when due all sums due or to become due or owing under the Loan Agreement or the other Credit Documents and the parties shall hereafter faithfully perform all of its obligations under and be bound by all of the provisions of the Credit Documents, as modified hereby, and hereby ratifies and reaffirms all of its obligations and liabilities under the Credit Documents, as modified hereby.

5. This Seventeenth Amendment and the execution of the other documents required to be executed in connection herewith do not constitute the creation of a new debt or the extinguishment of the debt evidenced by the Credit Documents, nor will they in any way affect or impair the liens and security interests created by the Credit Documents except as otherwise provided with respect to the Discharge. The parties agree that the lien and security interests created by the Credit Documents continue to be in full force and effect, unaffected and unimpaired by this Seventeenth Amendment and that said liens and security interests shall so continue in their perfection and priority until the Obligations secured by the Credit Documents are fully discharged.

6. Each of Borrower, Guarantor and the Credit Parties on behalf of itself and its affiliates, heirs, successors and assigns (collectively, "Releasing Parties"), hereby releases and forever discharges Lender, any trustee of the Loans, any servicer of the Loans, each of their respective predecessors-in-interest and successors and assigns, together with the officers, directors, partners, employees, investors, certificate holders and agents of each of the foregoing (collectively, the "Lender Parties"), from all debts, accountings, bonds, warranties, representations, covenants, promises, contracts, controversies, agreements, claims, damages, judgments, executions, actions, inactions, liabilities, demands or causes of action of any nature, at law or in equity, known or unknown, which such Releasing Party has or had prior to and including the date hereof relating in any manner whatsoever to matters arising out of: (a) the Loans, including, without limitation, its funding, administration and servicing; (b) the Credit Documents; or (c) any reserve and/or escrow balances held by Lender or any servicers of the Loans.

7. Borrower, Guarantor and the Credit Parties, jointly and severally, agree to reimburse, defend, indemnify and hold Lender harmless from and against any and all liabilities, claims, damages, penalties, reasonable expenditures, losses or charges (including, but not limited to, all reasonable legal fees and court costs), which may now or in the future be undertaken, suffered, paid, awarded, assessed or otherwise incurred as a result of or arising out of any fraudulent conduct of Borrower, Guarantor or any Credit Party in connection with this Seventeenth Amendment or of any breach of any of the representations or warranties made in any material respect.

8. Borrower agrees to pay all attorneys' fees and other costs incurred by Lender or otherwise payable in connection with this Seventeenth Amendment (in addition to those otherwise payable pursuant to the Credit Documents), which fees and costs are to be paid as of the date hereof. In consideration of the agreements and waiver by Lender herein, Borrower is to pay a fee of $2,500 to Lender, payable as of the date hereof.

9. With respect to all notices or other written communications hereunder, such notice or written communication shall be given in writing, and shall be deemed effective upon delivery pursuant to the Loan Agreement.

10. This Seventeenth Amendment and all other documents executed in connection herewith shall each constitute a Credit Document for all purposes under the Note, the Guaranty, the Subordination Agreement, the Loan Agreement and the other Credit Documents. All references in each of the Credit Documents to the Loan Agreement shall be deemed to be a reference to the Loan Agreement as amended by this Seventeenth Amendment and as the same may be further amended, restated, replaced, supplemented, renewed, extended or otherwise modified from time to time. All references in each of the Credit Documents to the Credit Documents or to any particular Credit Document shall be deemed to be a reference to such Credit Documents as amended by this Seventeenth Amendment, and as the same may be further amended, restated, replaced, supplemented, renewed, extended or otherwise modified from time to time. All references in the Credit Documents to a particular section of a Credit Document shall be deemed to be a reference to the particular section of such Credit Document as amended by this Seventeenth

Amendment, and as the same may be further amended, restated, replaced, supplemented, renewed, extended or otherwise modified from time to time.

11. Except as expressly amended hereby, each Credit Document shall remain in full force and effect in accordance with its terms and provisions, without any waiver, amendment or modification of any provision thereof.

12. This Seventeenth Amendment may not be amended, modified or otherwise changed in any manner except by a writing executed by all of the parties hereto.

13. In case any provision of this Seventeenth Amendment shall be invalid, illegal, or unenforceable, such provision shall be deemed to have been modified to the extent necessary to make it valid, legal and enforceable. The validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

14. This Seventeenth Amendment is binding on, and shall inure to the benefit of the parties hereto, their administrators, executors, and successors and assigns; provided, however, that Borrower, each Credit Party and each Guarantor may only assign its rights hereunder to the extent permitted in the Credit Documents.

15. This Seventeenth Amendment shall be governed by, and construed in accordance with, the laws of the State of New York, without giving effect to the conflict of laws provisions of said state.

16. This Seventeenth Amendment constitutes all of the agreements among the parties relating to the matters set forth herein and supersedes all other prior or concurrent oral or written letters, agreements and understandings with respect to the matters set forth herein.

17. This Seventeenth Amendment may be executed in any number of counterparts, each of which when so executed is deemed to be an original and all of which taken together constitute but one and the same agreement. Delivery of an executed counterpart of this Seventeenth Amendment by facsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Seventeenth Amendment. Any party delivering an executed counterpart of this Seventeenth Amendment by facsimile or other electronic method of transmission also shall deliver an original executed counterpart of this Seventeenth Amendment but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Seventeenth Amendment.

18. BORROWER, GUARANTOR, EACH OF THE CREDIT PARTIES AND LENDER EACH HEREBY AGREES NOT TO ELECT A TRIAL BY JURY, AND WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THIS SEVENTEENTH AMENDMENT, THE CREDIT DOCUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE. LENDER IS HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER.

[*Signatures appear on the following pages*]

IN WITNESS WHEREOF, the undersigned have caused this Seventeenth Amendment to be executed as of the day and year first above written.

LENDER:

GERBER FINANCE, INC.

By: /s/ Kevin McGarry
Name: Kevin McGarry
Title: Chief Credit Officer

BORROWER:

KBS BUILDERS, INC.

By: /s/ Matthew Mosher
Name: Matthew Mosher
Title: General Manager

GUARANTOR:

ATRM HOLDINGS, INC.

By: /s/ David J. Noble
Name: David J. Noble
Title: President

STAR EQUITY HOLDINGS, INC.

By: /s/ Jeffrey E. Eberwein
Name: Jeffrey E. Eberwein
Title: Chairman of the Board

[Signature Page to Seventeenth Amendment to Loan and Security Agreement-Consent Page Follows]

CONSENT TO SEVENTEENTH AMENDMENT
TO LOAN AND SECURITY AGREEMENT

We hereby consent and agree to the attached terms of the Seventeenth Amendment to Loan and Security Agreement.

LONE STAR VALUE CO-INVEST I, LP
(as Creditor pursuant to Amended and Restated Subordination Agreement dated January 31, 2020)

By: /s/ Jeffrey E. Eberwein
Name: Jeffrey E. Eberwein
Title: Sole Member, Lone Star Value Investors GP, LLC

LONE STAR VALUE MANAGEMENT, LLC
(as Creditor pursuant to Amended and Restated Subordination Agreement dated January 31, 2020)

By: /s/ Jeffrey E. Eberwein
Name: Jeffrey E. Eberwein
Title: CEO

STAR PROCUREMENT, LLC
(as Creditor pursuant to Amended and Restated Subordination Agreement dated January 31, 2020)

By: /s/ David J. Noble
Name: David Noble
Title: Manager

ATRM HOLDINGS, INC.
(as Creditor pursuant to Amended and Restated Subordination Agreement dated January 31, 2020)

By: /s/ David J. Noble
Name: David J. Noble
Title: President

STAR EQUITY HOLDINGS, INC.
(as Creditor pursuant to Amended and Restated Subordination Agreement dated January 31, 2020)

By: /s/ Jeffrey E. Eberwein
Name: Jeffrey E. Eberwein
Title: Chairman of the Board

[*Signature Page to Consent to Seventeenth Amendment to Loan and Security Agreement- continued on following page]*

SCHEDULE III

FINANCIAL COVENANTS

1. Distributions. Borrower shall make no distribution, transfer, payment, advance, or contribution of cash or property which would constitute a Restricted Payment.

2. Net Income. Borrower shall report annual post-tax net income in an amount at least equal to (a) $385,000 for the trailing 6-month period ending June 30, 2021 and (b) $500,000 for the trailing Fiscal Year End December 31, 2021.

3. Minimum EBITDA. Borrower shall not permit its EBITDA determined by Lender at (a) June 30, 2021 to be less than $880,000 or (b) Fiscal Year End December 31, 2021 to be less than $1,500,000. "EBITDA" shall mean, for any period, all earnings before all interest, tax obligations and depreciation and amortization expense of the Borrower for such period, all determined in conformity with GAAP on a basis consistent with the latest financial statements of the Borrower based upon the attached projections prepared by the Borrower.

THIRD AMENDMENT TO LOAN AND SECURITY AGREEMENT DATED JANUARY 31, 2020

THIS THIRD AMENDMENT TO LOAN AND SECURITY AGREEMENT DATED JANUARY 31, 2020, (this "Third Amendment") is entered into as of this 26 day of February, 2021 (the "Effective Date"), by and among **Gerber Finance Inc**., a New York corporation ("Lender") **Star Real Estate Holdings USA, Inc.,** a Delaware corporation, **300 Park Street, LLC**, a Delaware limited liability company, **947 Waterford Road, LLC**, a Delaware limited liability company, and **56 Mechanic Falls Road, LLC**, a Delaware limited liability company (individually, "Initial Borrower") and, collectively, if more than one, the "Initial Borrowers"), and together with each other Person which, on or subsequent to the Closing Date, agrees in writing to become a "Borrower" hereunder, herein called, individually, a "Borrower" and, collectively, the "Borrowers," and pending the inclusion by written agreement of any other such Person, besides each Initial Borrower, as a "Borrower" hereunder, all references herein to "Borrowers," "each Borrower," the "applicable Borrower," "such Borrower" or any similar variations thereof (whether singular or plural) shall all mean and refer to the Initial Borrower or each one of them collectively) and, **ATRM Holdings, Inc.**, a Minnesota corporation, **EdgeBuilder, Inc**., a Delaware Corporation, **Glenbrook Building Supply, Inc**., a Delaware corporation, **KBS Builders, Inc**., a Delaware corporation, and **Star Equity Holdings, Inc**., a Delaware corporation formerly known as Digirad Corporation, a Delaware corporation (individually or collectively, as the context may require, "Guarantor").

RECITALS

A. Lender and Borrowers entered into a Loan and Security Agreement dated as of January 31, 2020, as amended by First Amendment to Loan and Security Agreement dated February 20, 2020, and Second Amendment dated April 30, 2020 to the Loan and Security Agreement (as further amended, modified, restated or supplemented from time to time, the "Loan Agreement").

B. The Loans are secured by, among other things, Guarantor's guaranty by its execution of the Loan Agreement as a Corporate Credit Party ("Guaranty").

C. ATRM Holdings, Inc. has executed an Amended and Restated Subordination Agreement dated January 31, 2020 and is a Subordinated Lender as defined in the Loan Agreement.

D. Lone Star Co-Invest I, LP has executed an Amended and Restated Subordination Agreement dated January 31, 2020; Lone Star Value Management, LLC has executed an Amended and Restated Subordination Agreement dated January 31, 2020; and each is a Subordinated Lender as defined in the Loan Agreement.

E. Star Equity Holdings, Inc. has executed an Amended and Restated Subordination Agreement dated January 31, 2020, and is a Subordinated Lender as defined in the Loan Agreement.

F. On December 23, 2020 an amendment to the Certificate of Incorporation of Digirad Corporation was executed with the State of Delaware changing the name of Digirad Corporation to Star Equity Holdings, Inc. effective January 1, 2021.

G. Star Procurement, LLC has executed an Amended and Restated Subordination Agreement dated January 31, 2020 and is a Subordinated Lender as defined in the Loan Agreement.

H. Jeffrey E. Eberwein has executed an instrument of limited Guaranty on January 31, 2020 in the maximum principal sum of $2,500,000.

I. The parties wish to clarify their rights and duties to one another as set forth in the Credit Documents.

NOW, THEREFORE, in consideration of the covenants and agreements set forth herein, in consideration of the Recitals above which are incorporated into and made a part of this Third Amendment and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENTS

1. Lender, Borrowers and Guarantor reaffirm consent and agree to all of the terms and conditions of the Credit Documents defined in the Loan Agreement as binding, effective and enforceable according to their stated terms, except to the extent that such Credit Documents are hereby expressly modified by this Third Amendment.

2. In the case of any ambiguity or inconsistency between the Credit Documents and this Third Amendment, the language and interpretation of this Third Amendment is to be deemed binding and paramount.

3. The Credit Documents (and any exhibits thereto) are hereby amended as follows:***As to the Loan Agreement:***

A. The following definitions are hereby amended and restated as follows:

"Contract Rate" means an interest rate per annum equal to the sum of the Prime Rate plus three percent (3.0%)."

"Guarantor" means each Person (in addition to a Corporate Credit Party as provided herein) which executes a guaranty or a support, put, or other similar agreement in favor of Lender in connection with the transactions contemplated by this Agreement."

4. In consideration of the execution of this Third Amendment, the Guaranty of Jeffrey E. Eberwein in the maximum principal amount of $2,500,000 dated January 31, 2020 is hereby discharged.

5. Capitalized terms used in this Third Amendment which are not otherwise defined herein have the meaning ascribed thereto in the Credit Documents.

6. The parties agree to sign, deliver and file any additional documents and take any other actions that may reasonably be required by Lender including, but not limited to, affidavits, resolutions, or certificates for a full and complete consummation of the matters covered by this Third Amendment.

7. Each of Borrowers, Guarantor and the Credit Parties on behalf of itself and its affiliates, heirs, successors and assigns (collectively, "Releasing Parties"), hereby releases and forever discharges Lender, any trustee of the Loans, any servicer of the Loans, each of their respective predecessors-in- interest and successors and assigns, together with the officers, directors, partners, employees, investors, certificate holders and agents of each of the foregoing (collectively, the "Lender Parties"), from all debts,

accountings, bonds, warranties, representations, covenants, promises, contracts, controversies, agreements, claims, damages, judgments, executions, actions, inactions, liabilities, demands or causes of action of any nature, at law or in equity, known or unknown, which such Releasing Party has or had prior to and including the date hereof relating in any manner whatsoever to matters arising out of: (a) the Loans, including, without limitation, its funding, administration and servicing; (b) the Credit Documents; or (c) any reserve and/or escrow balances held by Lender or any servicers of the Loans.

8. Borrowers, Guarantor and the Credit Parties, jointly and severally, agree to reimburse, defend, indemnify and hold Lender harmless from and against any and all liabilities, claims, damages, penalties, reasonable expenditures, losses or charges (including, but not limited to, all reasonable legal fees and court costs), which may now or in the future be undertaken, suffered, paid, awarded, assessed or otherwise incurred as a result of or arising out of any fraudulent conduct of Borrowers, Guarantor or any Credit Party in connection with the Credit Documents or of any breach of any of the representations or warranties made in any material respect.

9. This Third Amendment is binding upon, inures to the benefit of, and is enforceable by the heirs, personal representatives, successors and assigns of the parties. This Third Amendment is not assignable by a Borrower or Guarantor without the prior written consent of Lender.

10. To the extent that any provision of this Third Amendment is determined by any court or legislature to be invalid or unenforceable in whole or part either in a particular case or in all cases, such provision or part thereof is to be deemed surplusage. If that occurs, it does not have the effect of rendering any other provision of this Third Amendment invalid or unenforceable. This Third Amendment is to be construed and enforced as if such invalid or unenforceable provision or part thereof were omitted.

11. This Third Amendment may only be changed or amended by a written agreement signed by all of the parties hereto. By the execution of this Third Amendment, Lender is not to be deemed to consent to any future renewal or extension of the Loans. This Third Amendment is deemed to be part of and integrated into the Credit Documents.

12. THIS THIRD AMENDMENT AND THE OBLIGATIONS ARISING HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO THE CONTRACTS MADE AND PERFORMED IN SUCH STATE WITHOUT REGARD TO THE CONFLICT OF LAW PRINCIPLES THEREOF.

13. The parties to this Third Amendment acknowledge that each has had the opportunity to consult independent counsel of their own choice, and that each has relied upon such counsel's advice concerning this Third Amendment, the enforceability and interpretation of the terms contained in this Third Amendment and the consummation of the transactions and matters covered by this Third Amendment.

14. Borrowers agree to pay all attorneys’ fees and other costs incurred by Lender or otherwise payable in connection with this Third Amendment (in addition to those otherwise payable pursuant to the Credit Documents), which fees and costs are to be paid as of the date hereof.

15. This Third Amendment may be executed in any number of counterparts, each of which when so executed is deemed to be an original and all of which taken together constitute but one and the same agreement. Delivery of an executed counterpart of this Third Amendment by facsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed

counterpart of this Third Amendment. Any party delivering an executed counterpart of this Second Amendment by facsimile or other electronic method of transmission also shall deliver an original executed counterpart of this Third Amendment but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Third Amendment.

16. BORROWERS, GUARANTOR, EACH OF THE CREDIT PARTIES AND LENDER EACH HEREBY AGREES NOT TO ELECT A TRIAL BY JURY, AND WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THIS THIRD AMENDMENT, THE CREDIT DOCUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE. LENDER IS HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER.

[*Signatures appear on the following pages*]

IN WITNESS WHEREOF, the undersigned have caused this Third Amendment to be executed as of the Effective Date.

LENDER:

GERBER FINANCE, INC.

By: /s/ Kevin McGarry
Name: Kevin McGarry
Title: Chief Credit Officer

BORROWER:

STAR REAL ESTATE HOLDINGS USA, INC.

By: /s/ David J. Noble
Name: David J. Noble
Title: President and Chief Executive Officer

300 PARK STREET, LLC

By: /s/ David J. Noble
Name: David J. Noble
Title: President and Chief Executive Officer

947 WATERFORD ROAD, LLC

By: /s/ David J. Noble
Name: David J. Noble
Title: President and Chief Executive Officer

56 MECHANIC FALLS ROAD, LLC

By: /s/ David J. Noble
Name: David J. Noble
Title: President and Chief Executive Officer

(signatures continued from previous page)

GUARANTOR:

ATRM HOLDINGS, INC.
By: /s/ David J. Noble
Name: David J. Noble
Title: President

EDGEBUILDER, INC.
By: /s/ David J. Noble
Name: David J. Noble
Title: President

GLENBROOK BUILDING SUPPLY, INC.
By: /s/ David J. Noble
Name: David J. Noble
Title: President

KBS BUILDERS, INC.
By: /s/ Matthew Mosher
Name: Matthew Mosher
Title: General Manager

STAR EQUITY HOLDINGS, INC.
By: /s/ Jeffery E. Eberwein
Name: Jeffrey E. Eberwein
Title: Chairman of the Board

[End of Signatures to Third Amendment to Loan and Security Agreement dated January 31, 2020]

CONSENTS TO THIRD AMENDMENT
TO LOAN AND SECURITY AGREEMENT DATED JANUARY 31, 2020

We hereby consent and agree to the attached terms of the Third Amendment to Loan and Security Agreement dated January 3 I, 2020.

LONE STAR VALUE CO-INVEST I, LP
(as Creditor pursuant to Amended and Restated Subordination Agreement dated January 31, 2020)

By: /s/ Jeffery E. Eberwein
Name: Jeffrey E. Eberwein
Title: Sole Member, Lone Star Value Investors GP, LLC

LONE STAR VALUE MANAGEMENT, LLC
(as Creditor pursuant to Amended and Restated Subordination Agreement dated January 31, 2020)

By: /s/ Jeffery E. Eberwein
Name: Jeffrey E. Eberwein
Title: CEO

STAR PROCUREMENT, LLC
(as Creditor pursuant to Amended and Restated Subordination Agreement dated January 31, 2020)

By: /s/ David J. Noble
Name: David Noble
Title: Manager

STAR EQUITY HOLDINGS, INC.
(as Creditor pursuant to Amended and Restated Subordination Agreement dated January 31, 2020)

By: /s/ Jeffery E. Eberwein
Name: Jeffrey E. Eberwein
Title: Chairman of the Board

[Signature Page to Consents to Third Amendment to loan and Security Agreement Dated January 31, 2020]

THIRD AMENDMENT TO LOAN AND SECURITY AGREEMENT
DATED JANUARY 31, 2020

THIS THIRD AMENDMENT TO LOAN AND SECURITY AGREEMENT DATED JANUARY 31, 2020, (this "Third Amendment") is entered into as of this 26 day of February, 2021 (the "Effective Date"), by and among Gerber Finance Inc., a New York corporation ("Lender") EdgeBuilder, Inc., a Delaware Corporation and Glenbrook Building Supply, Inc., a Delaware corporation (individually, "Initial Borrower") and, collectively, if more than one, the "Initial Borrowers"), and together with each other Person which, on or subsequent to the Closing Date, agrees in writing to become a "Borrower" hereunder, herein called, individually, a "Borrower" and, collectively, the "Borrowers," and pending the inclusion by written agreement of any other such Person, besides each Initial Borrower, as a "Borrower" hereunder, all references herein to "Borrowers," "each Borrower," the "applicable Borrower," "such Borrower" or any similar variations thereof (whether singular or plural) shall all mean and refer to the Initial Borrower or each one of them collectively) and Star Real Estate Holdings USA, Inc., a Delaware corporation, 300 Park Street, LLC, a Delaware limited liability company, 947 Waterford Road, LLC, a Delaware limited liability company, 56 Mechanic Falls Road, LLC, a Delaware limited liability company, ATRM Holdings, Inc., a Minnesota corporation, KBS Builders, Inc., a Delaware corporation, and Star Equity Holdings, Inc., a Delaware corporation formerly known as Digirad Corporation, a Delaware corporation (individually or collectively, as the context may require, "Guarantor").

RECITALS

A. Lender and Borrowers entered into a Loan and Security Agreement dated as of January 31, 2020, as amended by (i) First Amendment to Loan and Security Agreement dated March 5, 2020 and (ii) Second Amendment to Loan and Security Agreement dated July 1, 2020 (as further amended, modified, restated or supplemented from time to time, the "Loan Agreement").

B. The Loans are secured by, among other things, Guarantor's guaranty by its execution of the Loan Agreement as a Corporate Credit Party ("Guaranty").

C. ATRM Holdings, Inc. has executed an Amended and Restated Subordination Agreement dated January 31, 2020 and is a Subordinated Lender as defined in the Loan Agreement.

D. Lone Star Co-Invest I, LP has executed an Amended and Restated Subordination Agreement dated January 31, 2020; Lone Star Value Management, LLC has executed an Amended and Restated Subordination Agreement dated January 31, 2020; and each is a Subordinated Lender as defined in the Loan Agreement.

E. Star Equity Holdings, Inc. has executed an Amended and Restated Subordination Agreement dated January 31, 2020, and is a Subordinated Lender as defined in the Loan Agreement.

F. On December 23, 2020 an amendment to the Certificate of Incorporation of Digirad Corporation was executed with the State of Delaware changing the name of Digirad Corporation to Star Equity Holdings, Inc. effective January 1, 2021.

G. Star Procurement, LLC has executed an Amended and Restated Subordination Agreement dated January 31, 2020 and is a Subordinated Lender as defined in the Loan Agreement.

H. Jeffrey E. Eberwein has executed an instrument of limited Guaranty on March 5, 2020 and is an Ancillary Guarantor.

I. The parties wish to clarify their rights and duties to one another as set forth in the Credit Documents.

NOW, THEREFORE, in consideration of the covenants and agreements set forth herein, in consideration of the Recitals above which are incorporated into and made a part of this Third Amendment and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENTS

1. Lender, Borrowers and Guarantor reaffirm consent and agree to all of the terms and conditions of the Credit Documents defined in the Loan Agreement as binding, effective and enforceable according to their stated terms, except to the extent that such Credit Documents are hereby expressly modified by this Third Amendment.

2. In the case of any ambiguity or inconsistency between the Credit Documents and this Third Amendment, the language and interpretation of this Third Amendment is to be deemed binding and paramount.

3. The Credit Documents (and any exhibits thereto) are hereby amended as follows:

As to the Loan Agreement:

A. Section 2.1(a) is hereby amended to read as follows:

> "(a)(i) Subject to the terms and conditions set forth herein and in the Credit Documents, Lender may, in its sole discretion, make revolving credit advances (the "Revolving Credit Advances") to a Borrower from time to time during the Term, which, in the aggregate at any time outstanding together with all outstanding Letter of Credit Obligations, will not exceed the lesser of (x) the Maximum Revolving Amount or (y) an amount equal to the Borrowing Base.
>
> (a)(ii) On such terms and conditions set forth in Section 2.1(a)(i), Lender may, in its sole discretion, make a Permitted Concentration Related Overadvance until not later than the earlier of (A) the Maturity Date or (B) such earlier date in accordance with Section 11.1 of the Loan Agreement (the "Overadvance Termination Date") provided that the amount of the Permitted Concentration Related Overadvance is up to $500,000 in amount at any time outstanding and fully secured by the ongoing existence and enforceability of the Guaranty of each Corporate Credit Party, including but not limited to Star Equity Holdings, Inc. On or prior to the Overadvance Termination Date (or such later date that Lender may approve in writing) each Permitted Concentration Related Overadvance shall be repaid by Borrowers to Lender."

B. Section 5.1(b)(vi) is hereby amended to read as follows:

> "(vi) Under circumstances where any Borrower requests Revolving Credit Advances which would exceed the Maximum Revolving Amount and/or the Borrowing Base, including but not limited to any Permitted Concentration Related Overadvance, Lender may impose fees in connection therewith. Such fees shall include (i) a monthly fee in the amount of two and one-half percent (2.50%) (one and one-quarter percent (1.25%) for any Permitted Concentration Related Overadvance) of the greater of (A) the highest amount by which the amount Revolving Credit Advances during such month exceeds the Borrowing Base and (B) if any, the amount approved by Lender for such Revolving Credit Advance in excess of the Borrowing Base for such month and (ii) two and one-half percent (2.50%) (one and one-quarter percent (1.25%) for any Permitted Concentration Related Overadvance) of the greater of (A) the highest amount by which the Revolving Credit Advances during such month exceeds the Maximum Revolving Amount and (B) if any, the amount approved by Lender for such Revolving Credit Advances in excess of the Maximum Revolving Amount for such month. Such fees shall be payable on the first day of each month with respect to the preceding calendar month."

C. Schedule III is hereby amended and restated to read as set forth on the attached Schedule III:

4. In consideration of the execution of this Third Amendment, the Guaranty of Jeffrey E. Eberwein dated March 5, 2020 in the maximum principal amount of $500,000 is hereby discharged and Jeffrey E. Eberwein is no longer an Ancillary Guarantor as defined in the Loan Agreement. In further consideration thereof, each Corporate Credit Party acknowledges that its Guaranty includes those Guaranteed Obligations as defined in the Guaranty of Jeffrey E. Eberwein.

5. The Borrowers' failure to comply with each of the financial covenants on Schedule III of the Loan Agreement as of December 31, 2020 constitutes Events of Default under the Loan Agreement. Lender hereby agrees to grant a waiver thereof provided, however, that this waiver does not constitute (i) a modification or an alteration of any of the terms, conditions or covenants of the Loan Agreement or any Credit Documents, all of which remain in full force and effect, or (ii) a waiver, release or limitation upon Lender's exercise of any of its rights and remedies thereunder, all of which are hereby expressly reserved, or (iii) a waiver of compliance with Schedule III as amended in this Third Amendment for any other period or purpose. This waiver does not relieve or release the Borrowers in any way from any of the other respective duties, obligations, covenants or agreements under the Loan Agreement or the other Credit Documents or from the consequences of any other Event of Default thereunder, except as expressly described above. This waiver does not obligate Lender, or be construed to require Lender, to waive any other Event of Default or defaults, whether now existing or which may occur after the date of this waiver.

6. Capitalized terms used in this Third Amendment which are not otherwise defined herein have the meaning ascribed thereto in the Credit Documents.

7. The parties agree to sign, deliver and file any additional documents and take any other actions that may reasonably be required by Lender including, but not limited to, affidavits, resolutions, or certificates for a full and complete consummation of the matters covered by this Third Amendment.

8. Each of Borrowers, Guarantor and the Credit Parties on behalf of itself and its affiliates, heirs, successors and assigns (collectively, "Releasing Parties"), hereby releases and forever discharges Lender, any trustee of the Loans, any servicer of the Loans, each of their respective predecessors-in-interest and successors and assigns, together with the officers, directors, partners, employees, investors, certificate holders and agents of each of the foregoing (collectively, the "Lender Parties"), from all debts, accountings, bonds, warranties, representations, covenants, promises, contracts, controversies, agreements, claims, damages, judgments, executions, actions, inactions, liabilities, demands or causes of action of any nature, at law or in equity, known or unknown, which such Releasing Party has or had prior to and including the date hereof relating in any manner whatsoever to matters arising out of: (a) the Loans, including, without limitation, its funding, administration and servicing; (b) the Credit Documents; or (c) any reserve and/or escrow balances held by Lender or any servicers of the Loans.

9. Borrowers, Guarantor and the Credit Parties, jointly and severally, agree to reimburse, defend, indemnify and hold Lender harmless from and against any and all liabilities, claims, damages, penalties, reasonable expenditures, losses or charges (including, but not limited to, all reasonable legal fees and court costs), which may now or in the future be undertaken, suffered, paid, awarded, assessed or otherwise incurred as a result of or arising out of any fraudulent conduct of Borrowers, Guarantor or any Credit Party in connection with the Credit Documents or of any breach of any of the representations or warranties made in any material respect.

10. This Third Amendment is binding upon, inures to the benefit of, and is enforceable by the heirs, personal representatives, successors and assigns of the parties. This Third Amendment is not assignable by a Borrower or Guarantor without the prior written consent of Lender.

11. To the extent that any provision of this Third Amendment is determined by any court or legislature to be invalid or unenforceable in whole or part either in a particular case or in all cases, such provision or part thereof is to be deemed surplusage. If that occurs, it does not have the effect of rendering any other provision of this Third Amendment invalid or unenforceable. This Third Amendment is to be construed and enforced as if such invalid or unenforceable provision or part thereof were omitted.

12. This Third Amendment may only be changed or amended by a written agreement signed by all of the parties hereto. By the execution of this Third Amendment, Lender is not to be deemed to consent to any future renewal or extension of the Loans. This Third Amendment is deemed to be part of and integrated into the Credit Documents.

13. THIS THIRD AMENDMENT AND THE OBLIGATIONS ARISING HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO THE CONTRACTS MADE AND PERFORMED IN SUCH STATE WITHOUT REGARD TO THE CONFLICT OF LAW PRINCIPLES THEREOF.

14. The parties to this Third Amendment acknowledge that each has had the opportunity to consult independent counsel of their own choice, and that each has relied upon such counsel's advice concerning this Third Amendment, the enforceability and interpretation of the terms contained in this Third Amendment and the consummation of the transactions and matters covered by this Third Amendment.

15. Borrowers agree to pay all attorneys' fees and other costs incurred by Lender or otherwise payable in connection with this Third Amendment (in addition to those otherwise payable pursuant to the Credit Documents), which fees and costs are to be paid as of the date hereof. In consideration of the agreements and waiver by Lender herein, Borrowers are to pay a fee of $7,500 to Lender, payable as of the date hereof.

16. This Third Amendment may be executed in any number of counterparts, each of which when so executed is deemed to be an original and all of which taken together constitute but one and the same agreement. Delivery of an executed counterpart of this Third Amendment by facsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Third Amendment. Any party delivering an executed counterpart of this Third Amendment by facsimile or other electronic method of transmission also shall deliver an original executed counterpart of this Third Amendment but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Third Amendment.

17. BORROWERS, GUARANTOR, EACH OF THE CREDIT PARTIES AND LENDER EACH HEREBY AGREES NOT TO ELECT A TRIAL BY JURY, AND WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THIS THIRD AMENDMENT, THE CREDIT DOCUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE. LENDER IS HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER.

[*Signatures appear on the following pages*]

IN WITNESS WHEREOF, the undersigned have caused this Third Amendment to be executed as of the Effective Date.

LENDER:

GERBER FINANCE, INC.

By: /s/ Kevin McGarry
Name: Kevin McGarry
Title: Chief Credit Officer

BORROWER:

EDGEBUILDER, INC.

By: /s/ Scott Jarchow
Name: Scott Jarchow
Title: General Manager

GLENBROOK BUILDING SUPPLY, INC.

By: /s/ Scott Jarchow
Name: Scott Jarchow
Title: General Manager

[***Signatures to Third Amendment to Loan and Security Agreement dated January 31, 2020 --signatures continued on following page***]

(***signatures continued from previous page***)

GUARANTOR:

STAR REAL ESTATE HOLDINGS USA, INC.

By: /s/ David J. Noble
Name: David J. Noble
Title: President and Chief Executive Officer

300 PARK STREET, LLC

By: /s/ David J. Noble
Name: David J. Noble
Title: President and Chief Executive Officer

947 WATERFORD ROAD, LLC

By: /s/ David J. Noble
Name: David J. Noble
Title: President and Chief Executive Officer

56 MECHANIC FALLS ROAD, LLC

By: /s/ David J. Noble
Name: David J. Noble
Title: President and Chief Executive Officer

ATRM HOLDINGS, INC.

By: /s/ David J. Noble
Name: David J. Noble
Title: President

KBS BUILDERS, INC.

By: /s/ Matthew Mosher
Name: Matthew Mosher
Title: General Manager

STAR EQUITY HOLDINGS, INC.

By: /s/ Jeffrey E. Eberwein
Name: Jeffrey E. Eberwein
Title: Executive Chairman

[***End of Signatures to Third Amendment to Loan and Security Agreement dated January 31, 2020]***

CONSENTS TO THIRD AMENDMENT
TO LOAN AND SECURITY AGREEMENT DATED JANUARY 31, 2020

We hereby consent and agree to the attached terms of the Third Amendment to Loan and Security Agreement dated January 31, 2020.

LONE STAR VALUE CO-INVEST I, LP
(as Creditor pursuant to Amended and Restated Subordination Agreement dated January 31, 2020)

By: /s/ Jeffrey E. Eberwein
Name: Jeffrey E. Eberwein
Title: Sole Member, Lone Star Value Investors GP, LLC

LONE STAR VALUE MANAGEMENT, LLC
(as Creditor pursuant to Amended and Restated Subordination Agreement dated January 31, 2020)

By: /s/ Jeffrey E. Eberwein
Name: Jeffrey E. Eberwein
Title: CEO

STAR PROCUREMENT, LLC
(as Creditor pursuant to Amended and Restated Subordination Agreement dated January 31, 2020)

By: /s/ David J. Noble
Name: David Noble
Title: Manager

STAR EQUITY HOLDINGS, INC.
(as Creditor pursuant to Amended and Restated Subordination Agreement dated January 31, 2020)

By: /s/ Jeffrey E. Eberwein
Name: Jeffrey E. Eberwein
Title: Executive Chairman

[*Signature Page to Consents to Third Amendment to Loan and Security Agreement Dated January 31, 2020]*

SCHEDULE III

FINANCIAL COVENANTS

1. Minimum EBITDA. Borrowers shall not permit its EBITDA determined by Lender at (a) June 30, 2021 to be less than $260,000 or (b) Fiscal Year End December 31, 2021 to be less than $600,000. "EBITDA" shall mean, for any period, all earnings before all interest, tax obligations and depreciation and amortization expense of the Borrowers for such period, all determined in conformity with GAAP on a basis consistent with the latest financial statements of the Borrowers and based upon the attached projections prepared by Borrowers.

2. Net Operating Loss. Borrowers shall not incur a Net Operating Loss as determined by Lender at June 30, 2021 and Fiscal Year End December 31, 2021. "Net Operating Loss" shall mean earnings before interest, all determined in conformity with GAAP on a basis consistent with the latest financial statements of the Borrowers and based upon the attached projections prepared by Borrowers.

EXHIBIT 10.77

Stock purchase agreement

by and among

Knob Creek Acquisition Corp.,
(a Tennessee corporation)

Digirad Corporation,
(a Delaware corporation)

Project Rendezvous Acquisition Corporation,
(a Delaware corporation)

and

DMS Health Technologies, Inc.
(a North Dakota Corporation)

Dated as of October 30, 2020

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Exhibit A – Escrow Agreement

STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement, dated as of October 30, 2020 (this "Agreement"), is entered into by and among Knob Creek Acquisition Corp., a Tennessee corporation ("Buyer"), Digirad Corporation, a Delaware corporation ("Parent"), Project Rendezvous Acquisition Corporation, a Delaware corporation ("Seller"), and DMS Health Technologies, Inc., a North Dakota corporation (the "Company"). Unless the context requires otherwise, terms and phrases with their initial letters capitalized used but not otherwise defined in this Agreement shall have the meanings given to them in ARTICLE XI.

RECITALS

A. Seller is the record and beneficial owner of all of the issued and outstanding shares of Class A Common Stock, $0.50 par value per share, and Class B Common Stock, $0.50 par value per share, of the Company (collectively, the "Shares").

B. Buyer desires to purchase from Seller, and Seller desires to sell to Buyer, all of Seller's right, title and interest in and to the Shares, pursuant to the terms and subject to the conditions hereof (the "Acquisition").

C. Parent, Seller, the Company and Buyer desire to make certain representations, warranties and agreements in connection with the Acquisition and also to prescribe various conditions to the Acquisition as provided herein.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and of the mutual representations, warranties and agreements contained herein, the Parties hereby agree as follows:

Article I.

PURCHASE AND SALE OF SHARES

i..Purchase and Sale of Shares. At the Closing, and pursuant to the terms and subject to the conditions set forth herein, Seller shall sell, assign, transfer, convey and deliver to Buyer, and Buyer shall purchase, acquire and accept from Seller, all right, title and interest in and to the Shares, free and clear of all Liens. The aggregate purchase price for the Shares shall be an amount equal to the Net Initial Purchase Price, subject to adjustment as provided herein.

ii..Closing. The closing (the "Closing") of the Acquisition shall take place via the electronic exchange of documents and signatures on the later of January 4, 2021 and three (3) Business Days following the satisfaction or waiver of the conditions set forth in ARTICLE VII (other than conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction and waiver of such conditions), or on such other date and place as Buyer and Seller may mutually agree. The date on which the Closing occurs is referred to in this Agreement as the "Closing Date," and the Closing shall be effective for all purposes as of 12:01 a.m. Eastern Time on the Closing Date.

Article II.

PURCHASE PRICE

i..Payments by Buyer at Closing. On the Closing Date, Buyer shall make the following payments by wire transfer of immediately available funds:

(1) to Seller, an amount equal to the Net Initial Purchase Price, *minus* the Indemnity Escrow Amount;

(2) to the Escrow Agent, the Indemnity Escrow Amount by wire transfer of immediately available funds to the account(s) designated by the Escrow Agent pursuant to the Escrow Agreement;

(3) on the Company's behalf, the amount necessary to repay in full the amount of all Debt (other than any SBA PPP Loans that remain outstanding with respect to which no final forgiveness determination has been made by the SBA) required to be paid at Closing as set forth in Payoff Letters to be delivered by the Company to Buyer not less than two (2) Business Days prior to the Closing Date, such payments to be remitted to the accounts and in the amounts specified in such Payoff Letters;

(4) on the Company's behalf, the amount necessary to pay the Transaction Expenses that remain unpaid as of the Closing, such payments to be remitted to the accounts and in the amounts specified by the Company not less than two (2) Business Days prior to the Closing Date; and

(5) to the SBA PPP Loan Lender, the SBA PPP Loan Escrow Amount, if any, in accordance with Section 6.14.

ii..Closing Net Working Capital and Closing Cash Adjustments.

(1) No less than two (2) Business Days prior to the anticipated Closing Date, the Company shall deliver to Buyer the Company's good faith estimate of (i) the Closing Net Working Capital as of the anticipated Closing Date (the "Estimated Closing Net Working Capital") and (ii) the Closing Cash as of the anticipated Closing Date (the "Estimated Closing Cash"). The Company's estimates shall be prepared in accordance with GAAP in the manner applied in the preparation of the Company Financial Statements.

(2) Within sixty (60) days after the Closing Date, Buyer shall prepare and deliver to Seller a statement setting forth Buyer's determination of (i) the Closing Net Working Capital and (ii) the Closing Cash (the "Closing Statement") showing in reasonable detail any and all changes reflected therein from the amounts reflected in the statement of Estimated Closing Net Working Capital and the statement of Estimated Closing Cash delivered pursuant to Section 2.2(a). The Closing Statement shall be based upon the books and records of the Company and shall be prepared in accordance with GAAP in the manner applied in the preparation of the Company Financial Statements.

(3) The Closing Statement shall be final and binding on the Parties unless Seller delivers to Buyer a written notice of disagreement with the Closing Statement within sixty (60) days following the receipt thereof. Such written notice shall describe the nature of any such disagreement in reasonable detail, identifying the specific items as to which Seller disagrees and shall be accompanied by reasonable supporting documentation. During such sixty (60) day period, Buyer shall cause the Company and its Subsidiaries to provide Seller and its advisors with reasonable on-site access and access via telephone and e-mail communications and transmissions during regular business hours and upon reasonable notice to all relevant books and records and employees (including key accounting and finance personnel) of the Company and its Subsidiaries to the extent necessary to review the matters and information used to prepare and to support the Closing Statement, all in a manner not unreasonably interfering with the business of the Company and its Subsidiaries. If Seller delivers a notice of disagreement in a timely manner, then Seller and Buyer shall attempt to resolve all such matters identified in such notice. If Seller and Buyer are unable to resolve all such disagreements within thirty (30) days after the receipt by Buyer of the notice of disagreement (or such longer period as may be agreed by Buyer and Seller), then the remaining disputed matters shall be promptly submitted to the Accounting Arbitrator for binding resolution. The Accounting Arbitrator will consider only those items and amounts set forth in the Closing Statement as to which Buyer and Seller have disagreed, shall resolve such disagreements in accordance with the terms and provisions of this Agreement and shall not resolve any particular amount in dispute to be an amount less than the lowest amount claimed by one of the parties or an amount higher than the highest amount claimed by one of the parties. The Accounting Arbitrator shall issue a written report containing a final Closing Statement setting forth its determination of the Closing Net Working Capital and the Closing Cash, which determination shall be final and binding upon Buyer and Seller. The fees and expenses of the Accounting Arbitrator incurred in connection with the determination of the disputed items shall be paid by Seller and by Buyer based on the relative success of their positions as compared to the final determination of the Accounting Arbitrator. (By way of example, if Buyer has taken the position that the Closing Net Working Capital was $1,000,000 less than the Estimated Closing Net Working Capital and Seller has taken the position that the Closing Net Working Capital was $500,000 greater than the Estimated Closing Net Working Capital (and the Parties had otherwise agreed on the Closing Cash) and the Accounting Arbitrator finally determines that the Closing Net Working Capital was equal to the Estimated Closing Net Working Capital, then Buyer shall pay two thirds of the fees and expenses of the Accounting Arbitrator and Seller shall pay one third of the fees and expenses of the Accounting Arbitrator.) Buyer and Seller shall, and Buyer shall cause the Company to, cooperate fully with the Accounting Arbitrator and respond on a timely basis to all requests for information or access to documents or personnel made by the Accounting Arbitrator, all with the intent to fairly and in good faith resolve all disputes relating to the Closing Statement as promptly as reasonably practicable.

(4) If the amount equal to the Closing Net Working Capital plus the Closing Cash, as finally determined in accordance with Section 2.2(c), is less than the amount equal to the Estimated Closing Net Working Capital plus the Estimated Closing Cash (a "Working Capital Decrease"), then the amount of such Working Capital Decrease shall be paid by Seller or Parent within five (5) Business Days after the final determination of the Closing Net Working

Capital and the Closing Cash to Buyer in the amounts set forth on a written notice delivered by Buyer, which shall also include appropriate wire instructions. If the amount equal to Closing Net Working Capital plus Closing Cash, as finally determined in accordance with Section 2.2(c), is greater than the amount equal to the Estimated Closing Net Working Capital plus the Estimated Closing Cash (a "Working Capital Increase"), then the amount of such Working Capital Increase shall be paid by Buyer or the Company by wire transfer within five (5) Business Days after the final determination of the Closing Net Working Capital and the Closing Cash to Seller in the amounts set forth on a written notice delivered by Seller, which shall also include appropriate wire instructions. All amounts paid pursuant to this Section 2.2(d) shall be calculated as an adjustment to the Net Initial Purchase Price.

iii..Escrow Arrangements.

(1) At the Closing, Seller and Buyer shall enter into an Escrow Agreement with the Escrow Agent in the form attached hereto as Exhibit A (the "Escrow Agreement"), pursuant to which, among other things, Buyer shall deposit an amount in cash equal to the Indemnity Escrow Amount in the Escrow Account in order to provide Buyer with a source of funds for satisfaction of any amounts owing from Seller or Parent to any Buyer Indemnified Party resulting from Losses required to be indemnified by Seller and Parent under Article IX.

(2) Distributions from the Indemnity Escrow Account to Seller or Buyer, as applicable, shall be made as provided in this Agreement and the Escrow Agreement.

iv..Withholding; Deductions. Each of Buyer and the Company, as applicable, shall be entitled to deduct and withhold from any amounts payable by it pursuant to this Agreement any withholding Taxes or other amounts required by Law to be deducted and withheld. To the extent that any such amounts are so deducted or withheld, such amounts will be treated for all purposes of this Agreement as having been paid prior to the Closing to the Person in respect of which such deduction and withholding was made. The Company shall claim all properly-allowable Income Tax deductions with respect to the payment of any Transaction Expenses and the payment of any Debt, in each case at or within 75 days following the Closing, on the final Tax Returns for the Tax period ending on the Closing Date, and Buyer shall not take any action, or permit the Company to take any action inconsistent therewith.

Article III.

REPRESENTATIONS AND WARRANTIES AS TO PARENT AND SELLER

Subject to such exceptions as are disclosed in the disclosure letter dated the date of this Agreement and delivered herewith to Buyer (the "Disclosure Letter") referencing the appropriate Section or subsection of this ARTICLE III (or as may be otherwise reasonably apparent as responsive to any other Section of this ARTICLE III), Parent and Seller hereby represent and warrant to Buyer, on a joint and several basis, as follows:

i..Authority. Each of Parent and Seller is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware. Each of Parent and Seller has all requisite power and authority to execute and deliver this Agreement and to perform all of its

obligations hereunder. The execution, delivery and performance by Parent and Seller of this Agreement and the consummation of the transactions contemplated to be performed by it under this Agreement have been duly authorized by all necessary and proper action on the part of each of Parent and Seller. This Agreement constitutes the legal, valid and binding obligation of each of Parent and Seller, enforceable against them in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws relating to or affecting the enforcement of creditors' rights generally and by general principles of equity.

ii..No Conflict. The execution, delivery and performance by Parent and Seller of this Agreement and the consummation by Parent and Seller of the transactions contemplated hereby will not, with or without the giving of notice or the lapse of time or both, (i) result in the creation or imposition of any Lien upon the Shares, (ii) conflict with the Constitutional Documents of Parent or Seller, as amended to date, or (iii) result in a material breach or violation of, the terms, conditions or provisions of, or constitute a material default or event of default, or create a right of acceleration, termination or cancellation or a loss of any material rights under any material Contract of Parent or Seller or any Law, Permit or Judgment to which Parent, Seller or the Shares are subject (excluding, in the case of this clause (iii), any such Law, Permit or Judgment the violation of which, and any Contract the acceleration, termination or cancellation or a loss of which, individually or in the aggregate, has not (A) given, and would not reasonably be expected to give, rise to a material liability to Parent, Seller or their Subsidiaries (B) materially and adversely affected, and would not reasonably be expected to affect, their ability to operate their businesses as presently conducted in compliance with applicable Law, or (C) materially impaired, and would not reasonably be expected to materially impair, their ability to perform and comply in all material respects with all of their respective obligations under this Agreement and to consummate the transactions contemplated hereby).

iii..Title to Shares. Seller is a wholly-owned, indirect subsidiary of Parent. Seller is the record and beneficial owner of all of the Shares, free and clear of all Liens and restrictions on transfer other than those arising under federal or state securities laws or as set forth on Section 3.3 of the Disclosure Letter. Other than with respect to securities law restrictions, no legends or other reference to any purported Lien appears upon any Certificate representing the Shares. There are no Contracts or other agreements relating to sale or transfer of the Shares other than this Agreement. At the Closing, assuming Buyer has the requisite power and authority to be the lawful owner of the Shares, Seller shall transfer to Buyer good and marketable title to the Shares, free and clear of all Liens.

iv..No Legal Action. There is no Legal Action pending, or to the knowledge of Parent or Seller threatened, against or affecting Seller, Parent or any of their respective properties or assets or otherwise that would reasonably be expected to have a material adverse effect on the ability of either Parent or Seller to perform its respective obligations pursuant to this Agreement or to consummate the transactions contemplated hereby in a timely manner or that in any manner draws into question the validity of this Agreement.

v..Solvency. Each of Seller and Parent (individually and on a consolidated basis with their respective Subsidiaries) is, and immediately after giving effect to the consummation of the Acquisition and the other transactions contemplated by this Agreement, (i) will be able to pay its respective debts (including a reasonable estimate of the amount of all contingent liabilities) as they become due and payable, (ii) will own property which has a fair saleable value greater than the amounts required to pay its debts (including a reasonable estimate of the amount of all contingent liabilities), and (iii) will have adequate capital to carry on its business. No transfer of property is being made and no obligation is being incurred in connection with the transactions contemplated by this Agreement with the intent to hinder, delay or defraud current creditors of Parent, Seller or any of their respective Subsidiaries or Affiliates.

vi..No Other Representations. Except for the representations and warranties made in this ARTICLE III and ARTICLE IV or in the Transaction Documents, neither Parent, Seller nor any other Person (including any Subsidiary of the Company or any director, officer, manager, employee, Affiliate, advisor, agent or other representative of the Company, any Subsidiary of the Company) makes or has made any representation or warranty, express or implied, relating or with respect to this Agreement or the transactions contemplated hereby to Buyer or any other Person. Except as set forth in ARTICLE IX with respect to intentional fraud or willful misconduct, neither the Company, any of its Subsidiaries, nor any of their respective stockholders, directors, officers, managers, employees, Affiliates, advisors, agents or other representatives, will have or be subject to any liability to Buyer or any other Person resulting from the use by Buyer or its representatives or advisors of any financial information, financial projections, forecasts, budgets or any other document or information furnished to Buyer or any other Person (including information in the "data site" maintained by the Company or Olshan or provided in any formal or informal management presentation); provided, however, that the foregoing does not limit Buyer's rights to recovery set forth in ARTICLE IX based on any breach of any of the representations and warranties expressly made in this ARTICLE III and in ARTICLE IV.

Article IV.

REPRESENTATIONS AND WARRANTIES AS TO THE COMPANY

Subject to such exceptions as are disclosed in the Disclosure Letter referencing the appropriate Section or subsection of this ARTICLE IV (or as may be otherwise reasonably apparent as responsive to any other Section of this ARTICLE IV), Parent and Seller hereby represent and warrant to Buyer, on a joint and several basis, as follows:

i..Organization and Qualification of the Company. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of North Dakota. The Company has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business. The Company is duly qualified or licensed to do business and is in good standing as a foreign corporation in each jurisdiction in which the conduct of its business or the ownership, leasing, holding or use of its properties makes such qualification necessary, except such other jurisdictions where the failure to be so qualified or licensed or in good standing would not reasonably be expected to have a Company Material Adverse Effect. The Company

has made available to Buyer a true, correct and complete copy of its Constitutional Documents (each as amended to date) and minute books of the Company. The Company is not in violation of its Constitutional Documents.

ii..Organization and Qualification of Subsidiaries. Section 4.2 of the Disclosure Letter sets forth a complete list indicating, as of the date of this Agreement, each direct and indirect Subsidiary of the Company, and with respect to each such Subsidiary of the Company: the type of entity of such Subsidiary, and the jurisdictions of organization and foreign qualification of such Subsidiary. Except for the Subsidiaries listed on Section 4.2 of the Disclosure Letter, the Company does not have any direct or indirect equity investment or other investment in any Person. Each Subsidiary of the Company is duly organized, validly existing and in good standing (to the extent applicable) under the Laws of its jurisdiction of incorporation or formation. Each Subsidiary of the Company has all requisite power and authority to own, lease and operate its properties and to carry on its business. Each Subsidiary of the Company is duly qualified or licensed to do business and is in good standing (to the extent applicable) as a foreign organization in each jurisdiction in which the conduct of its business or the ownership, leasing, holding or use of its properties makes such qualification necessary, except such other jurisdictions where the failure to be so qualified or licensed or in good standing would not reasonably be expected to have a Company Material Adverse Effect. The Company has made available to Buyer a true, correct and complete copy of each of its Subsidiaries' Constitutional Documents, each as amended to date, and minute books. None of the Company's Subsidiaries is in violation of its Constitutional Documents in any material respect.

iii..Capitalization. Section 4.3 of the Disclosure Letter lists a true, correct and complete list of (i) the authorized Equity Securities of the Company, (ii) the number and kind of Equity Securities of the Company that are issued and outstanding as of the date of this Agreement, (iii) the names of each of the holders of such Equity Securities and the respective number and kind of Equity Securities of the Company held by such holder and (iv) the equity holders of each of the Company's Subsidiaries and the number of each such Subsidiary's Equity Securities held by each such equity holder. All of the outstanding Equity Securities of the Company and each of its Subsidiaries are duly authorized, validly issued, fully paid and non-assessable and were not issued in violation of, and are not subject to, any preemptive rights or in violation of any applicable Federal or state securities Laws. Except for rights granted to Buyer under this Agreement, there are no outstanding options, warrants, calls, demands, stock appreciation rights, Contracts or other rights of any nature to purchase, obtain or acquire, or otherwise relating to, or any outstanding securities or obligations convertible into or exchangeable for, or any voting agreements or any other similar contract, agreement, arrangement, commitment, plan or understanding restricting or otherwise relating to the issuance, sale, purchase, redemption, conversion, exchange, registration, voting, dividend, ownership or transfer rights of any Equity Securities of the Company or any of its Subsidiaries. Immediately prior to the Closing, the Company will not have any outstanding Equity Securities other than the Shares. Except as set forth in Section 4.3 of the Disclosure Letter, the Equity Securities of the Company and its Subsidiaries are not subject to any Liens or restrictions on transfer and no legends or other reference to any purported Lien appears upon any Certificates representing the Shares, in each case except for securities law restrictions. All of the outstanding Equity Securities of the

Company and its Subsidiaries have been issued in compliance in all material respects with all requirements of Laws and Contracts applicable to the Company and the Subsidiaries and their respective Equity Securities. All of the outstanding Equity Securities of each Subsidiary of the Company are owned, beneficially and of record, by either the Company or another Subsidiary of the Company.

iv..Authority. The Company has all requisite corporate power and authority to execute and deliver this Agreement and to perform all of its obligations hereunder. The execution, delivery and performance by the Company of this Agreement and the consummation of the transactions contemplated to be performed by it under this Agreement have been duly authorized by all necessary and proper corporate action on the part of the Company. This Agreement has been duly authorized, executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws relating to or affecting the enforcement of creditors' rights generally and by general principles of equity.

v..No Conflict. Subject to the receipt of the consents listed in Section 4.6(a) and Section 4.6(b) of the Disclosure Letter, the execution, delivery and performance by the Company of this Agreement and the consummation by the Company of the transactions contemplated hereby will not, with or without the giving of notice or the lapse of time or both, (i) result in the creation or imposition of any Lien upon any of the properties or assets of the Company or any of its Subsidiaries, (ii) conflict with the Constitutional Documents of the Company or any of its Subsidiaries, each as amended to date, or (iii) result in a breach or violation of the terms, conditions or provisions of, or constitute a default or event of default, or create a right of acceleration, termination or cancellation or a loss of any rights under any Company Material Contract or any Law, Permit or Judgment to which the Company, any of its Subsidiaries or any of their respective properties or assets are subject (excluding, in the case of this clause (iii), any such Law, Permit or Judgment the violation of which, individually or in the aggregate, has not (A) given, and would not reasonably be expected to give, rise to a material liability to the Company or its Subsidiaries, or (B) materially and adversely affected, and would not reasonably be expected to materially and adversely affect, their ability to operate their businesses as presently conducted in compliance with applicable Law in all material respects, or (C) materially impaired, and would not reasonably be expected to materially impair, their ability to perform and comply in all material respects with all of their respective obligations under this Agreement and to consummate the transactions contemplated hereby).

vi..Consents.

(1) Section 4.6(a) of the Disclosure Letter lists each material consent, waiver, approval or authorization of, and each material registration, declaration and filing with, and each material notice to, any Governmental Entity that is required by, or with respect to, the Company or any of its Subsidiaries in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby, except for any filings that are required under any applicable federal or state securities Law.

(2) Section 4.6(b) of the Disclosure Letter lists each material consent, waiver, approval or authorization of, and each material notice to, any counterparty to a Company Material Contract, a Material Lease, or a Contract required to be listed on Section 4.12(e) of the Disclosure Letter, that is required in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby in order to prevent a breach of such Contract or prevent the counterparty from having the right to terminate such Contract.

vii..Financial Statements and Financial Matters.

(1) Section 4.7(a) of the Disclosure Letter sets forth true, correct and complete copies of (i) unaudited consolidated balance sheets of the Company and its Subsidiaries as of December 31, 2019, December 31, 2018 and December 31, 2017, and the related unaudited consolidated statements of operations and (accumulated deficit) retained earnings and modified cash flows of the Company and its Subsidiaries for each of the twelve-month periods ended December 31, 2019, December 31, 2018 and December 31, 2017, and (ii) the unaudited consolidated balance sheet of the Company and its Subsidiaries as of September 30, 2020 (the "2020 Company Balance Sheet"), and the related unaudited consolidated statements of operations and (accumulated deficit) retained earnings and modified cash flows of the Company and its Subsidiaries for the nine-month period ended September 30, 2020 (collectively, the "Company Financial Statements"). The Company Financial Statements have been prepared in accordance with GAAP applied on a consistent basis throughout the periods indicated, except for the absence of footnotes, and in accordance with the Company's and its Subsidiaries' books and records. The Company Financial Statements present fairly, in all material respects, the consolidated financial position, results of operations and cash flows of the Company and its Subsidiaries as of the dates and for the periods indicated therein, subject, in the case of the unaudited interim Company Financial Statements, to normal year-end adjustments.

(2) All accounts and notes receivable of each of the Company and its Subsidiaries (collectively, the "Accounts Receivable") represent valid balances arising from bona fide arm's length transactions actually made by them in the Ordinary Course of Business. Except as set forth in Section 4.7(b) of the Disclosure Letter, all Accounts Receivable (i) to the Company's Knowledge, are collectible (net of reserves reflected in the 2020 Company Balance Sheet), (ii) represent legal, valid and binding obligations for services actually performed or products delivered by such Company and are enforceable in accordance with their terms, (iii) are not subject to any Legal Action, and (iv) are not subject to any further performance by the Company or its Subsidiaries for such accounts receivable to be payable by the account debtor thereof. Except as set forth in Section 4.7(b) of the Disclosure Letter, neither the Company nor any of its Subsidiaries have received written notice of a request or agreement for deduction or discount with respect to any of such accounts receivable.

(3) All accounts payable of each of the Company and its Subsidiaries represent valid balances arising from bona fide arm's length transactions actually made by a Company in the Ordinary Course of Business.

(4) All inventory of each of the Company and its Subsidiaries is (i) of a quality and quantity (taking into account applicable Contract requirements) usable and salable in the Ordinary Course of Business, (ii) not obsolete, misbranded, damaged or otherwise restricted from or not saleable in commerce under applicable Law, (iii) adequate in order for the Company to conduct the Business in the Ordinary Course of Business, and (iv) not defective. The quantities of each item of inventory of the Company are not excessive (taking into account applicable Contract requirements), but are reasonable in the circumstances of the Business. The inventory of each Company is valued at the lower of cost or market as determined by the average cost method. All inventory of the Company (other than inventory in transit in the Ordinary Course of Business) is located on the Owned Real Property, except as set forth on Section 4.7(d) of the Disclosure Letter.

(5) The Company and each of its Subsidiaries maintain systems of internal controls and procedures concerning financial reporting sufficient to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP, including but not limited to internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed only in accordance with management's and directors' general or specific authorization; (ii) transactions are recorded as necessary to permit the preparation of financial statements of the Company or its Subsidiaries in conformity with GAAP and maintain accountability for assets and such records are maintained in reasonable detail and accurately and fairly reflect the transactions and dispositions of the assets of the Company and its Subsidiaries; and (iii) the recorded accountability for assets (which, for the avoidance of doubt, includes the prevention or timely detection of unauthorized acquisition, use or disposition of the assets of the Company and the Company Subsidiaries that could have a material effect on the Company's and its Subsidiaries' respective financial statements) is maintained at reasonable intervals and appropriate action is taken with respect to any differences. There are no significant deficiencies (as such term is defined in Regulation S-X under the Securities Act) in the Company and its Subsidiaries' internal controls likely to adversely affect the Company and its Subsidiaries' ability to record, process, summarize and report financial information. To the Company's Knowledge, there has not been any fraud, whether or not material, that involves management or other employees of the Company and its Subsidiaries who have a significant role in its internal controls over financial reporting. Neither the Company nor any of its Subsidiaries is a party to, or has any commitment to become a party to, any joint venture, off balance sheet partnership or any similar Contract (including any Contract or arrangement relating to any transaction or relationship between the Company and any of its Subsidiaries, on the one hand, and any unconsolidated Affiliate, including any structured finance, special purpose or limited purpose entity or person, on the other hand, or any "off balance sheet arrangements" (as defined in Item 303(a) of Regulation S-K under the Exchange Act)), where the result, purpose or intended effect of such Contract is to avoid disclosure of any material transaction involving, or material liabilities of, the Company or any of its Subsidiaries in the Company's or such Subsidiary's financial statements.

viii..No Undisclosed Liabilities. Except as set forth in Section 4.8 of the Disclosure Letter, neither the Company nor any of its Subsidiaries has any liabilities of a kind required to be disclosed on a balance sheet under GAAP other than liabilities (i) reflected or reserved against on

the Company Financial Statements or the notes thereto, (ii) trade or accounts payable incurred after the Balance Sheet Date in the Ordinary Course of Business that will be paid or satisfied prior to the Closing, (iii) executory obligations under a Contract (other than liabilities relating to any breach, or any fact or circumstance that, with notice, lapse of time, or both, would result in a breach, thereof by the Company or any of its Subsidiaries), (iv) included in the final calculation of Closing Net Working Capital, or (v) that are Transaction Expenses.

ix..Absence of Certain Changes. Since the date of the 2020 Company Balance Sheet (the "Balance Sheet Date"), (a) there have not been any events, occurrences, changes, developments or circumstances which would have, or reasonably be anticipated to have, a Company Material Adverse Effect, and (b) none of the Company and its Subsidiaries have taken any action of the type referred to in Section 6.1.

x..Assets and Properties. Except as set forth in Section 4.10 of the Disclosure Letter, the Company and its Subsidiaries have good and valid (and, in the case of Owned Real Property, good and marketable fee simple) title to, or a valid leasehold interest in, all of their respective real property and tangible personal assets and properties (including all such assets and properties reflected on the 2020 Company Balance Sheet, other than assets and properties disposed of in the Ordinary Course of Business since the Balance Sheet Date) free and clear of any Liens, other than Permitted Liens. The assets owned or leased by the Company (including all imaging equipment) are sufficient for the operation of the business of the Company and its Subsidiaries as currently conducted and have been maintained in the Ordinary Course of Business. Each item of tangible personal property included among the assets of each of the Company and its Subsidiaries: (a) is in good operating condition and repair, ordinary wear and tear excepted, is adequately serviced by required utilities and is adequate for the uses to which it is being put; and (b) is free of physical, mechanical and structural defect and does not need maintenance or repair, except for ordinary, routine maintenance and repair that is not material in nature or cost. Section 4.10 of the Disclosure Letter contains and correct and complete list of all tangible personal property owned by the Company or any of its Subsidiaries with a net book value in excess of $10,000 as of the 2020 Company Balance Sheet Date. Since the 2020 Company Balance Sheet Date, the Company has not sold, leased or otherwise disposed of any of the tangible personal property required to be listed in Section 4.10 of the Disclosure Letter other than in the Ordinary Course of Business.

xi..Owned and Leased Real Property.

(1) Section 4.11(a) of the Disclosure Letter contains (i) a correct and complete list (including address, record owner, legal description, duration of ownership and description of uses) of all interests in real property owned by the Company or any of its Subsidiaries (all such real property, together with all buildings, structures and other improvements and fixtures located on or under such real property and all easements, rights and other appurtenances to such real property are collectively referred to herein as the "Owned Real Property") and (ii) a correct and complete description of all leases, licenses, permits, subleases and occupancy agreements or arrangements, together with any amendments thereto (each a "Real Property Lease" and collectively, the "Real Property Leases"), with respect to real property which the Company or

any of its Subsidiaries are a party to, bound by or enjoy the benefits of (the "Leased Real Property" and, together with the Owned Real Property, the "Real Property"), including the address and a description of uses by the Company and its Subsidiaries of the Leased Real Property.

(2) Except as set forth in Section 4.11(a) of the Disclosure Letter, there are no leases, subleases, licenses, occupancy agreements, options to purchase, rights of first refusal, rights of first offer, conditional sales or similar rights with respect to any of the Owned Real Property and, to the Company's Knowledge, any of the Leased Real Property (other than the Real Property Leases), and there are no parties in possession of the Real Property other than the Company or its Subsidiaries.

(3) The Company and its Subsidiaries own good, valid and marketable title to each parcel of the Owned Real Property in which it has an interest, in each case free and clear of any Liens other than Permitted Liens. Neither the Company nor any of its Subsidiaries has received any written notice since the Acquisition Date that it has violated, in any material respect, any Law applicable to the ownership or operation of the Owned Real Property or any covenant, condition, easement or restriction of record affecting any of the Owned Real Property, except for those violations that have been cured in all material respects.

(4) Except as set forth in Section 4.11(a) of the Disclosure Letter, the Real Property constitutes all of the land, buildings, structures, improvements, fixtures and other interests and rights in real property that are used or occupied by the Company and its Subsidiaries in connection with the business of the Company and its Subsidiaries. All of the Real Property has access to public roads and to all utilities necessary for the operation of the business of the Company and its Subsidiaries as now conducted. Since the Acquisition Date, neither the Company nor any of its Subsidiaries have received any written notice of any material discontinuation of presently available or otherwise necessary access, sewer, water, electric, gas, telephone or other utilities or services for the Real Property and, to the Company's Knowledge, there do not exist any adverse claims to such access, sewer, water, electric, gas, telephone or other utilities or services that would materially adversely affect the use currently being made of such access, sewer, water, electric, gas, telephone or other utilities or services. All public utilities required for the operation of the Real Property by the Company and its Subsidiaries and necessary for the conduct of the business of the Company and its Subsidiaries are installed and operating in all material respects, and all installation and connection charges, to the Company's Knowledge are paid in full.

(5) There is no pending or, to the Company's Knowledge, threatened Legal Action regarding condemnation or other eminent domain matter affecting any of the Owned Real Property or any sale or other disposition of any of the Owned Real Property in lieu of condemnation.

(6) Each parcel of the Owned Real Property is assessed separately from all other adjacent property for purposes of real estate taxes. No action seeking a reduction in real estate taxes imposed upon the Owned Real Property or the assessed valuation thereof (or any portion thereof) (i) has been settled since the Acquisition Date or (ii) is currently pending.

(7) True, correct and complete copies of all material plans and specifications relating to the Real Property in the possession or control of the Seller have been made available to Buyer.

(8) Neither the Company nor any of its Subsidiaries has any existing or executory oral or written agreement with any real estate broker, agent or finder with respect to the Real Property.

(9) Except for Permitted Liens, to the Company's Knowledge, no Person (other than the Company or any of its Subsidiaries) has any interest in, or rights to, the mineral, oil, gas, and other natural resources arising from the Owned Real Property.

(10) All of the Owned Real Property (i) since the Acquisition Date, has been maintained in accordance with historical practices of the Company and its Subsidiaries since the Acquisition Date, with, to the Company's Knowledge, no material items of deferred maintenance or capital expenditures, and (ii) is adequate and, to the Company's Knowledge, suitable for the purposes for which it is presently being used. To the Company's Knowledge, there are no material structural defects with respect to the buildings, structures and other improvements situated on any Owned Real Property. None of the improvements located on the Owned Real Property or uses being made of the Real Property by the Company or any of its Subsidiaries requires any special dispensation, variance or special permit under any Law that has not been properly obtained in any material respect, except as set forth in Section 4.11(j) of the Disclosure Letter.

(11) The Company has made available to Buyer true, correct and complete copies of all material deeds, title exception documents (for example, easements and restrictive covenants), title policies and title reports (to the extent dated subsequent to the title policies) (collectively, "Existing Title Documents") for any of the Real Property in the possession or control of the Company or any of its Subsidiaries. The Company also has made available to Buyer true, correct and complete copies of all final or recorded surveys for any of the Real Property in the possession or control of the Company or any of its Subsidiaries ("Existing Surveys"). Since the Acquisition Date, no claim has been made under any of the Existing Title Documents or Existing Surveys.

(12) To the Company's Knowledge, (i) there are no plans of any Governmental Entity to change the highway or road system in the vicinity of any Owned Real Property or to restrict or change access from any such highway or road to any Owned Real Property that could adversely affect access to any roads providing a means of ingress to or egress from any Owned Real Property, and (ii) there is no pending or proposed action to change or redefine the zoning classification of all or any portion of any of the Owned Real Property.

(13) The Company has made available to Buyer true, correct and complete copies of all material reports of inspection of the Real Property under all applicable federal, state and local health and safety Laws, and all material correspondence with Governmental Entities relating thereto, that are in the Company's possession or control. Since the Acquisition Date, neither the Company nor any of its Subsidiaries has received written notice from any insurance

carrier regarding defects or inadequacies in the Real Property, which, if not corrected, would result in termination of the insurance coverage or an increase in cost. There are no outstanding requirements or recommendations by any insurance company which has issued to the Company or any of its Subsidiaries, since the Acquisition Date, a policy covering the Real Property requiring or recommending any material repairs or work to be done on such Real Property.

(14) Except as set forth in Section 4.11(n) of the Disclosure Letter, none of the Owned Real Property, nor to the Company's Knowledge, the Leased Real Property, nor the operation or maintenance thereof by the Company or its Subsidiaries, violates any applicable building, zoning or other land-use laws or insurance requirements applicable thereto in any material respect, or violates any restrictive covenant or other title exception in any material respect.

(15) True, complete and accurate copies of the Real Property Leases, or if any Real Property Leases are not in writing, true, complete and accurate descriptions thereof, have been made available to Buyer.

(16) Each Real Property Lease is valid and binding on the Company and any of its Subsidiaries party thereto and, to the Company's Knowledge, each other party thereto, and is in full force and effect except (i) to the extent such Real Property Lease terminates or expires after the date hereof in accordance with its terms, (ii) as limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar Laws relating to creditors' rights generally, or (iii) as limited by general principles of equity, whether such enforceability is considered in a proceeding in equity or at Law. There is no existing material breach or default under any Real Property Lease by the Company or any of its Subsidiaries or, to the Company's Knowledge, any other party thereto. Since the Acquisition Date, no event has occurred that with or without the lapse of time or the giving of notice or both would constitute a material breach or default under any Real Property Lease by the Company or any of its Subsidiaries that has not been cured in all material respects or, to the Company's Knowledge, any other party thereto. No amount due and payable under any of the Real Property Leases by the Company or any of its Subsidiaries remains unpaid. The Company or one of its Subsidiaries that is either the tenant or licensee named under a Real Property Lease has a good and valid leasehold interest in the Leased Real Property that is subject to the Real Property Lease, subject to the foregoing clauses (i) – (iii) and except for Permitted Liens, and is in sole possession of the Leased Real Property purported to be leased or licensed thereunder. Since the Acquisition Date, neither the Company nor any of its Subsidiaries has assigned, transferred, conveyed, mortgaged, deeded in trust or encumbered any interest in any Real Property Lease, subleased all or any part of the space demised thereby, or granted any right to the possession, use, occupancy or enjoyment of any Leased Real Property, to any third party, except for Permitted Liens, other rights that have terminated and rights that will be terminated on the Closing Date. Since the Acquisition Date, no option has been exercised under any of such Real Property Leases, except options whose exercise has been evidenced by a written document, a true, correct and complete copy of which has been made available to Buyer with the corresponding Real Property Lease. Other than as a result of circumstances unique to Buyer, no Material Lease will cease to be legal, valid, binding, enforceable and in full force and effect on terms identical to those currently in effect or require consent or notice solely as a result

of the consummation of any of the transactions contemplated by this Agreement, nor will the consummation of any such transactions constitute a breach or default under any such Real Property Lease or otherwise give the landlord a right to terminate such Real Property Lease. Neither the Company nor any of its Subsidiaries has received any written notice since the Acquisition Date that it has violated, in any material respect, any Law applicable to the operation of the Leased Real Property or any covenant, condition, easement or restriction of record affecting any of the Leased Real Property in any material respect, except for those violations that have been cured in all material respects. All brokerage commissions and other compensation and fees payable by the Company or Subsidiaries since the Acquisition Date by reason of the Real Property Leases have been paid in full, and to the Company's Knowledge, all brokerage commissions and other compensation and fees payable by any other Persons by reason of the Real Property Leases have been paid in full.

xii..Intellectual Property.

(1) Section 4.12(a) of the Disclosure Letter (i) sets forth a list of all Registered Intellectual Property included in the Company Intellectual Property, and (ii) specifies, where applicable, the jurisdictions in which each Registered Intellectual Property has been registered or in which an application for such registration has been filed, including the respective registration or application numbers and the names of all registered owners.

(2) Except for Intellectual Property licensed to or by the Company and its Subsidiaries, either pursuant to agreements listed on Section 4.12(e) of the Disclosure Letter or as part of "off-the-shelf" software or licensed software that is not material to the operation of the Company's business or products, the Company and its Subsidiaries are the sole owners of all right, title and interest in and to the Company Intellectual Property owned by them, and all governmental fees as well as all registration, maintenance and renewal fees associated with the Registered Intellectual Property, and due as of the date hereof have been paid in full. With respect to all Intellectual Property that is material to the operations of the Company and its Subsidiaries' respective businesses that is not owned by the Company or its Subsidiaries, the Company and its Subsidiaries are validly licensed or otherwise possess valid and enforceable rights to use such Intellectual Property as currently used in the conduct of business operations of the Company and its Subsidiaries.

(3) To the Company's Knowledge, no service of the Company or any of its Subsidiaries and no utilization of the Company Intellectual Property by or on behalf the Company or any of its Subsidiaries infringes, violates or misappropriates the Intellectual Property of any third party in any material respect. No claim of such infringement, violation or misappropriation is pending or, to the Company's Knowledge, has been threatened in writing. To the Company's knowledge, no other Person is infringing, violating or misappropriating the Company Intellectual Property in any material respect.

(4) The Registered Intellectual Property included in the Company Intellectual Property is valid and enforceable and is not the subject of any proceeding regarding opposition to registration, cancellation or similar claim, or any other challenges to the validly of such Registered Intellectual Property, and no such proceeding has been threatened.

(5) Section 4.12(e) of the Disclosure Letter identifies all license agreements as to which the Company or any of its Subsidiaries is a party and pursuant to which the Company or any of its Subsidiaries is authorized to use, or authorizes any third party to use, any Company Intellectual Property (other than commercial off-the-shelf software licenses). None of the Company or its Subsidiaries, nor, to the Company's Knowledge, any other party or parties thereto, is in violation or default in any material respect of any such license agreements.

(6) The Company's representations and warranties set forth in this Section 4.12 constitute the Company's sole and exclusive representations and warranties regarding intellectual property matters.

xiii..Contracts.

(1) Section 4.13 of the Disclosure Letter, lists each of the following Contracts (or group of related Contracts) to which the Company or any of its Subsidiaries are a party or by which any of their respective assets is bound as of the date of this Agreement:

(a) any Contract relating to the employment of any Person (including employment agreements, severance arrangements, retention arrangements, acceleration provisions, change of control arrangements, transaction bonus or payment arrangements and any Contracts related to employee benefits or compensation or payments to any Employees that are not available on the same terms to Employees generally);

(b) any Contract containing a covenant not to compete or other covenant restricting the development, marketing, sale or distribution of the products or services of the Company or any of its Subsidiaries or otherwise restricting or limiting the ability of the Company or any of its Subsidiaries to do business;

(c) any Contract with any current or former officer, director or employee of the Company or any of its Subsidiaries or any Affiliate of the Company or any of its Subsidiaries (other than employment Contracts covered by clause (i) above);

(d) any lease, license, sublease or similar Contract with any Person under which the Company or any of its Subsidiaries (A) is lessee of, or holds or uses, any machinery, equipment, vehicle or other tangible personal property owned by any Person or (B) is a lessor or sublessor of, or makes available for use by any Person, any tangible personal property owned or leased by the Company or any of its Subsidiaries (each a "Personal Property Lease"), in any such case in the foregoing clause (A) or in this clause (B) which has an aggregate future liability or receivable, as the case may be, in excess of $50,000;

(e) any Contract requiring payments to or from the Company or any of its Subsidiaries in excess of $50,000 annually;

(f) any Contract relating to Debt incurred by the Company or any of its Subsidiaries;

(g) any Contract under which the Company or any of its Subsidiaries has, directly or indirectly, made or agreed to make any advance, loan, extension of credit or capital contribution to, or other investment in, any Person (other than extensions of trade credit in the Ordinary Course of Business), in any such case which, individually or together with any similar advances, loans, extensions of credit, capital contributions or investments, is in excess of $50,000;

(h) any Contract for any joint venture, partnership or similar arrangement or other Contract involving the sharing of profits, losses, costs or liabilities with any Person;

(i) any Contract with any Material Customer or Material Supplier;

(j) any Contract that grants a counterparty "most favored nation" or similar rights;

(k) any Contract that restricts the ability of the Company or any of its Subsidiaries to assert any legal proceedings against any Person;

(l) any Contract with a Governmental Entity; and

(m) any Contract (other than a Contract of the type described in Sections 4.13(a)(i)-(xii) above) reasonably expected to result in payments to or from the Company or any of its Subsidiaries in excess of $50,000 in any twelve (12) month period.

(2) All Contracts required to be listed on Section 4.13(a) of the Disclosure Letter (the "Company Material Contracts") are valid and binding on the Company and any of its Subsidiaries party thereto and, to the Company's Knowledge, each other party thereto, and are in full force and effect. Subject to the receipt of the consents set forth in Section 4.6(b) of the Disclosure Letter, and other than as a result of circumstances unique to Buyer, all the Company Material Contracts, except for those Contracts that by their terms will expire prior to Closing, will continue in full force and effect immediately after the Closing. Except as set forth on Section 4.13(b) of the Disclosure Letter, the Company and its Subsidiaries have performed in all material respects all obligations required to be performed by them to date under the Company Material Contracts, and they are not (with or without the lapse of time or the giving of notice, or both) in material breach or default thereunder and, to the Company's Knowledge, no other party to any Company Material Contract is (with or without the lapse of time or the giving of notice, or both) in material breach or default thereunder. Except as set forth in Section 4.13(b) of the Disclosure Letter, neither the Company nor any of its Subsidiaries has received any written (or, to the Company's Knowledge, oral) notice of the intention of any party to terminate, cancel or not renew (to the extent applicable) any Company Material Contract. The Company has provided Buyer with true, correct and complete copies of each Company Material Contract.

xiv..Litigation. Except as set forth on Section 4.14 of the Disclosure Letter, there is no material Legal Action pending, or to the Company's Knowledge threatened against, the Company or any of its Subsidiaries, or any of their respective properties or assets or any of their

employees, officers, directors or managers in their capacity as such. None of the Company, any of its Subsidiaries or their respective properties is subject to any Judgment that materially impairs the Company's or such Subsidiary's ability to operate or that requires any future payments. Neither the Company nor any of its Subsidiaries are party to any Contract or subject to any Judgment that relates to any settlement of a Legal Action.

xv..Compliance with Laws.

(1) The Company and each of its Subsidiaries are and, since the Acquisition Date (and to the Company's Knowledge, three years prior to the Acquisition Date) have been, in material compliance with all applicable Law. Neither the Company, nor any of its Subsidiaries, has received any written notice (or to the Company's Knowledge, a verbal notice) since the Acquisition Date (and to the Company's Knowledge, three years prior to the Acquisition Date) (i) of any non-routine administrative, civil or criminal investigation, inquiry or audit (other than Tax audits) by any Governmental Entity relating to the Company or any of its Subsidiaries, or (ii) from any Governmental Entity alleging that the Company or any of its Subsidiaries is not in compliance with any applicable Law or Judgment.

(2) Except as listed on Section 4.15(b) of the Disclosure Letter, since the Acquisition Date (and to the Company's Knowledge, three years prior to the Acquisition Date), neither the Company nor any of its Subsidiaries: (i) has been convicted of, charged with or investigated for an offense related to any federal healthcare program, as defined in 42 U.S.C. § 1320a-7b(f) (a "Federal Healthcare Program"), or convicted of, charged with or investigated for a violation of a federal or state law relating to fraud, theft, embezzlement, breach of fiduciary responsibility, financial misconduct, obstruction of an investigation or controlled substance; (ii) has been excluded, suspended or disbarred from, or is otherwise ineligible to participate in, a Federal Healthcare Program; (iii) has committed any offense that would reasonably serve as the basis for any such exclusion, suspension, disbarment or ineligibility; or (iv) has contracted with any other Person that is excluded, suspended or disbarred from, or otherwise ineligible to participate in, a Federal Healthcare Program.

(3) Except as listed on Section 4.15(c) of the Disclosure Letter or for any immaterial billing error that was corrected in a reasonable period of time after such error was discovered and for which neither Buyer, the Company nor any of its Subsidiaries will incur any Loss after Closing, since the Acquisition Date (and to the Company's Knowledge, three years prior to the Acquisition Date): (i) neither the Company nor any of its Subsidiaries has submitted any bill or claim for reimbursement to any governmental or private payor in violation in any material respect of any Health Care Law; and (2) neither the Company nor any of its Subsidiaries has claimed or received any reimbursement from any governmental or private payor in excess of the amounts permitted by the applicable benefit plan or any applicable Contract with any such payor.

(4) Except as listed on Section 4.15(d) of the Disclosure Letter: (i) there is no Legal Action pending or, to the Company's Knowledge, threatened against the Company or any of its Subsidiaries with respect to any Health Care Law; and (ii) since the Acquisition Date (and

to the Company's Knowledge, three years prior to the Acquisition Date), no such Legal Action with respect to any Health Care Law has occurred.

(5) Except as listed on Section 4.15(e) of the Disclosure Letter, since the Acquisition Date (and to the Company's Knowledge, three years prior to the Acquisition Date), neither the Company nor any or its Subsidiaries has violated any of the following in any material respect: (i) the Federal Ethics in Patient Referral Act, 42 U.S.C. § 1395nn, as amended, or any applicable state self-referral law; (ii) the Federal Healthcare Programs' Anti-Kickback Statute, 42 U.S.C. § 1320a-7b(b), or any applicable state anti-kickback law; (iii) the Federal False Claims Act 31 U.S.C. § 3729, as amended, or any applicable state false claims law; (iv) the Health Insurance Portability and Accountability Act of 1996; or (v) the Health Information Technology for Economic and Client Health Act of 2010, 42 U.S.C. § 17921& 17931, et seq., or any state law regarding patient confidentiality.

(6) Neither the Company nor any of its Subsidiaries has any unwritten arrangement with any third party referral source for the furnishing of services or supplies to or from the Company or any of its Subsidiaries that violates any Health Care Law in any material respect (including any unwritten arrangement without remuneration).

xvi..Permits.

(1) The Company and each of its Subsidiaries possess all Permits (including, but not limited to, radioactive Permits) required to own (or hold under lease) and operate their respective assets and to conduct their business as currently conducted other than such Permits the absence of which, individually or in the aggregate, have not had and will not result in Legal Action materially adverse to the Company or its Subsidiaries. All such Permits are in full force and effect, and the Company and its Subsidiaries have complied in all material respects with all terms and conditions thereof to the extent applicable. Neither the Company nor any of its Subsidiaries has received written (or, to the Company's Knowledge, oral or threatened) notice of any Legal Action relating to the revocation, violation, forfeiture or modification of any such Permits since the Acquisition Date. Each of the Company and its Subsidiaries has at all times since the Acquisition Date (and to the Company's Knowledge, three years prior to the Acquisition Date) been in compliance in all material respects with all Permits held by it. To the Company's Knowledge, all Persons employed or engaged by the Company or any of its Subsidiaries which are required to hold Permits as a result of or in connection with their job functions with the Company or any of its Subsidiaries hold all such Permits, and the Company and its Subsidiaries have implemented commercially reasonable controls designed to provide reasonable assurance that all such Persons maintain such requisite Permits in full force and effect at all relevant times.

(2) All fees and charges with respect to the Permits held by the Company and its Subsidiaries have been paid in full. Section 4.16(b) of the Disclosure Letter lists all current material Permits currently issued to or held by the Company and its Subsidiaries, including the names of the Permits and their respective dates of issuance and expiration. Subject to the receipt of the consents set forth in Section 4.6(a) of the Disclosure Letter in respect of such Permits, and other than as a result of circumstances unique to Buyer, neither the transactions contemplated by

this Agreement nor any other event that has occurred would or would reasonably be expected, with or without notice or lapse of time or both, to result in the revocation, suspension, lapse or limitation of any Permit set forth on Section 4.16(b) of the Disclosure Letter.

xvii..Insurance. Section 4.17 of the Disclosure Letter sets forth, as of the date of this Agreement, all material insurance policies covering the assets, business, equipment, properties, operations, Employees, directors or managers (as applicable), and officers of the Company or any of its Subsidiaries. There is no claim by the Company or any of its Subsidiaries pending under any of such policies as to which coverage has been questioned, denied or disputed or that the Company has a reason to believe will be denied or disputed by the underwriters of such policies or bonds, there is no pending claim that will exceed the per occurrence or aggregate policy limits. The applications for the insurance policies were true accurate and complete at the time that they were submitted, and there were no material omissions made or material information withheld in the applications for insurance policies. All premiums due and payable under all such policies and bonds have been paid (or if installment payments are due, will be paid if incurred prior to the Closing), the Company and its Subsidiaries have not received notice that any policies will be canceled, and the Company and its Subsidiaries are otherwise in material compliance with the terms of such policies. The insurance policies required to be listed on Section 4.17 of the Disclosure Letter are of a type and in amounts customarily carried by Persons conducting business similar to the business conducted by the Company as presently conducted and meet in all material respects all contractual and statutory requirements to which the Company or any of its Subsidiaries is subject with respect to their respective businesses and assets.

xviii..Environmental Matters.

(1) All material final reports in the possession of the Company or any of its Subsidiaries concerning environmental investigations, audits, assessments and remedial activities conducted by or on behalf of it have been made available to Buyer.

(2) Except as disclosed on Section 4.18 of the Disclosure Letter:

(a) There are no Legal Actions in which the Company or any of its Subsidiaries is a party, or to the Company's Knowledge, which are threatened in writing against the Company or any of its Subsidiaries, relating to Environmental Laws.

(b) The Company and each of its Subsidiaries have at all times since the Acquisition Date, and to the Company's Knowledge prior to the Acquisition Date, been in material compliance with all applicable Environmental Laws.

(c) Neither the Company nor any of its Subsidiaries has, since the Acquisition Date, received any written notice of violation, demand letter, request for information, penalty assessments, or notice of claim, including a letter identifying the Company or any of its Subsidiaries as potentially responsible parties, from a Governmental Entity or other Person with respect to (A) the presence of Hazardous Materials in, on, under, about, migrating onto or emanating from any Owned Real Property or Leased Real Property or any real property

ever owned or leased by the Company or its Subsidiaries; (B) damages to natural resources; or (C) off-site facilities to which the Company or any of its Subsidiaries sent solid waste, liquid waste or Hazardous Materials for disposal, recycling, reclamation or reuse.

(d) Neither the Company nor any of its Subsidiaries is currently negotiating or has, since the Acquisition Date, entered into or agreed to any Judgment requiring (A) compliance with any Environmental Law; (B) the investigation, removal, remediation or mitigation of Hazardous Materials; or (C) the assessment of damages to, or the restoration, of natural resources.

(e) To the Company's Knowledge, there are no (A) underground storage tanks and related piping; (B) septic tanks, cesspools, solid waste or Hazardous Material dumps; (C) monitoring, potable or production groundwater wells; or (D) asbestos-containing materials or equipment or other devices containing polychlorinated biphenyls on, at or under the Owned Real Property or the Leased Real Property.

(f) Neither the Company nor any of its Subsidiaries has caused a release or discharge of Hazardous Materials in, on, under or about any Owned Real Property, Leased Real Property or any other real property owned or leased by the Company or its Subsidiaries since the Acquisition Date; and to the Company's Knowledge, neither the Company nor any of its Subsidiaries has caused a release or discharge of Hazardous Materials in, on, under or about any other real property ever owned or leased by the Company or its Subsidiaries prior to the Acquisition Date.

(g) Since the Acquisition Date, the Company and all of its Subsidiaries have generated, stored and disposed of solid waste, liquid waste and Hazardous Materials in accordance with Environmental Laws, and to the Company's Knowledge the Company and all of its Subsidiaries have done so prior to the Acquisition Date.

(h) Neither the Company nor any of its Subsidiaries is remediating, removing or mitigating a release or discharge of Hazardous Materials at any Owned Real Property, Leased Real Property or any other real property ever owned or leased by the Company or its Subsidiaries; or (ii) neither Company nor any of its Subsidiaries has Knowledge that any of real property that they previously owned is undergoing or is required to undergo remediation due to release or discharge of Hazardous Materials.

(i) The Company and its Subsidiaries have identified and managed all asbestos containing material at Owned Real Property in accordance with an asbestos management plan and Environmental Laws except where the failure to do so would not, individually or in the aggregate, result in any material liability to the Company or its Subsidiaries.

(j) Neither the Company nor any of its Subsidiaries is a party to an agreement with a Governmental Entity or other Person authorizing access to Owned Real Property to investigate, mitigate, remove or remediate discharges or releases of Hazardous Substances on or under any Owned Real Property.

(k) Neither the Company nor any of its Subsidiaries is a party to any written agreement with any Person in any way related to the investigation or remediation of property or waterways listed on CERCLA's National Priorities List or the state equivalent.

The Company's representations and warranties set forth in this Section 4.18 constitute the Company's sole and exclusive representations and warranties regarding environmental matters.

xix..Employment Matters.

(1) Seller has furnished Buyer with a correct and complete list of all of the directors, officers and Employees of the Company and its Subsidiaries as of the date hereof, specifying their position, hire date, current hourly wage rate or annual base salary and bonus, commission and other incentive compensation paid during the current calendar year. Each current Employee provides services primarily for the benefit of the Company and its Subsidiaries.

(2) (i) There is not, and since the Acquisition Date there has not been, any labor strike, dispute, work stoppage or lockout pending, or to the Company's Knowledge threatened, against or affecting the Company or any of its Subsidiaries; (ii) to the Company's Knowledge, no union organizational campaign, petition or other unionization activities are in progress with respect to the Employees; (iii) neither the Company nor any of its Subsidiaries has ever engaged in any unfair labor practices and there are not any unfair labor practice charges or complaints against the Company or any of its Subsidiaries pending, or to the Company's Knowledge threatened, before the National Labor Relations Board or any other applicable Governmental Entity; (iv) there are not any pending, or to the Company's Knowledge threatened, charges against the Company or any of its Subsidiaries or any of their Employees before the Equal Employment Opportunity Commission or any state or local agency responsible for the prevention of unlawful employment practices; and (v) neither the Company nor any of its Subsidiaries has received any written (or, to the Company's Knowledge, oral) communication during the twelve (12) months immediately preceding the date of this Agreement of the intent of any Governmental Entity responsible for the enforcement of labor or employment Laws to conduct an investigation of it and, to the Company's Knowledge, no such investigation is in progress.

(3) Since the Acquisition Date, the Company and each of its Subsidiaries has been in compliance in all material respects with all applicable Laws respecting employment of labor, including those related to wages, hours, eligibility for and payment of overtime compensation, worker classification (including the proper classification of independent contractors and consultants), Tax withholding, collective bargaining, unemployment insurance, workers' compensation, immigration, harassment, discrimination and retaliation in employment, wrongful discharge, terms and conditions of employment, disability rights and benefits, employee leave issues, affirmative action, plant closing and mass layoff issues (as those terms are defined in the Worker Adjustment Retraining Notification Act or any comparable state or local law), occupational safety and health Laws.

xx..Employee Benefit Plans.

(1) Section 4.20(a) of the Disclosure Letter sets forth a list of all Company Employee Plans. Section 4.20(a) of the Disclosure Letter separately designates each Company Employee Plan that is sponsored or maintained by Parent, the Company or any Subsidiary of the Company, and those that are not. No Company Employee Plan is maintained outside the jurisdiction of the United States or covers any Employees or other service providers of the Company or any Subsidiary of the Company who reside or work outside of the United States.

(2) With respect to each Company Employee Plan, Sellers have delivered to Buyer complete copies of each of the following documents: (i) a copy of each Company Employee Plan (including any amendments thereto and all administration agreements, insurance policies, investment management or advisory agreements and all prior Company Employee Plan documents, if amended within the last two years); (ii) a copy of the three most recent Form 5500 annual reports, if any, required under ERISA or the Code; (iii) a copy of the most recent summary plan description (and any summary of material modifications), if any, required under ERISA; (iv) if the Company Employee Plan is funded through a trust or any third party funding vehicle, a copy of the trust or other funding agreement (including any amendments thereto); (v) for each Company Employee Plan that is intended to be qualified under Section 401(a) of the Code or Section 401(k) of the Code, a copy of the most recently received advisory opinion letter received from the IRS that the form of such Company Employee Plan is acceptable under Section 401 of the Code; (vi) any actuarial reports (if any); (vii) all correspondence with the Internal Revenue Service, Department of Labor and the PBGC regarding any Company Employee Plan (if any); (viii) with respect to each Company Employee Plan subject to Title IV of ERISA (if any), a copy of the three most recent Form PBGC-1 reports; (ix) all discrimination tests for each Company Employee Plan for the three most recent plan years (if any); and (x) any other related material or documents regarding the Company Employee Plans. There are no unwritten Company Employee Plans.

(3) Except as set forth in Section 4.20(c) of the Disclosure Letter, each Company Employee Plan has been operated in all material respects in accordance with its terms and the requirements of all applicable Laws including, without limitation, ERISA and the Code, and the Company and each of its Subsidiaries has performed all obligations required to be performed by them under, are not in any respect in default under or in violation of, and have no knowledge of any default or violation by any party to, any Company Employee Plan. No action, claim or proceeding is pending, or to the Company's Knowledge threatened, with respect to any Company Employee Plan (other than claims for benefits in the ordinary course) and no fact or event exists that could give rise to any such action, claim or proceeding. No examination, voluntary correction proceeding or audit of any Company Employee Plan by any Governmental Entity is currently in progress or, to the knowledge of the Sellers, threatened. Neither the Company nor any Subsidiary of the Company is a party to any agreement or understanding with the Pension Benefit Guaranty Corporation, the Internal Revenue Service or the Department of Labor. Neither the Company, any of its Subsidiaries nor any Person that is a member of the same controlled group as the Company or under common control with the Company within the meaning of Section 414 of the Code (each, an "ERISA Affiliate") is subject to any penalty or Tax with respect to any Company Employee Plan under Section 502(i) of ERISA or Sections

4975 through 4980 of the Code. Neither the Company nor any of its Subsidiaries nor any ERISA Affiliate has incurred any liability under, arising out of or by operation of Title IV of ERISA.

(4) Except as set forth in Section 4.20(d) of the Disclosure Letter, neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby will, either alone or together with another event, (i) result in any payment (including, without limitation, severance, unemployment compensation, golden parachute, forgiveness of indebtedness or otherwise) becoming due under any Company Employee Plan, whether or not such payment is contingent, (ii) increase any benefits otherwise payable or result in any forgiveness of indebtedness under any Company Employee Plan or other arrangement, or (iii) result in the acceleration of the time of payment, vesting or funding of any benefits, whether or not contingent.

(5) None of the Company Employee Plans, nor any other written or oral agreement entered into by the Company or its Subsidiaries provide for continuing medical, dental, vision, life or disability insurance benefits or coverage after termination or retirement from employment, except for COBRA rights under a "group health plan" as defined in Section 4980B(g) of the Code and Section 607 of ERISA. Each Company Employee Plan that is a "group health plan" (within the meaning of Section 5000(b)(1) of the Code) is in compliance in all material respects with the applicable requirements of the Affordable Care Act ("ACA"). There exists no basis upon which the Company or an ERISA Affiliate of the Company would be expected to be subject to any penalties or assessable payments under Section 4980H of the Code, nor has the Company or any ERISA Affiliate of the Company received any correspondence from the IRS or other agencies indicating that such penalties or assessable payments are or may be due.

(6) The Company Financial Statements include appropriate accruals for all obligations and liabilities under all Company Employee Plans, and all contributions, premiums or other amounts required to be paid or provided by any Person to or under any such Company Employee Plan have been duly made in accordance with the terms thereof. No Company Employee Plan assets have been pledged as collateral for any loan, other than bona fide loans made to participants of any Company Employee Plan, or other obligation of any Person. To the Company's Knowledge, no act or event has occurred or circumstance exists that may result in a material increase in premium or benefit costs of any Company Employee Plan. No Company Employee Plan has been declared to be fully or partially terminated, nor has any act or event occurred pursuant to which any Company Employee Plan could be ordered to be terminated, in whole or in part, by any Governmental Entity.

(7) No Company Employee Plan is (i) a "multiemployer plan," as such term is defined in Section 3(37) of ERISA, (ii) a plan that is subject to Title IV of ERISA, Section 302 of ERISA or Section 412 of the Code, (iii) a multiple employer plan as defined in Section 413(c) of the Code, or (iv) is a "multiple employer welfare arrangement" as such term is defined in Section 3(40) of ERISA, and neither the Company, any of its Subsidiaries, nor any ERISA Affiliate of the Company or its Subsidiaries has ever maintained, contributed to, or been required to contribute to any Company Employee Plan described in clauses (i), (ii), (iii) or (iv).

(8) Each Company Employee Plan that is intended to be qualified under Section 401(a) of the Code or Section 401(k) of the Code has received an advisory opinion letter from the IRS that the form of such Company Employee Plan is acceptable under Section 401 of the Code.

(9) No amounts payable under any Company Employee Plan or otherwise payable in connection with the Closing fails or will fail to be deductible for federal income tax purposes by virtue of Section 280G of the Code. No Company Employee Plan provides any Company employee, officer, director, consultant or other service provider or stockholder of the Company or any of its Subsidiaries with any amount of additional compensation if such individual is provided amounts subject to excise or additional taxes imposed under Section 4999 of the Code.

(10) Neither the Company, nor any of its Subsidiaries, has made any promises or commitments to create any additional plan, or to modify or change in any material way any existing Company Employee Plan. No event, condition or circumstance exists that would reasonably be expected to result in a material increase of the benefits provided under any Company Employee Plan or the expense of maintaining any Company Employee Plan from the level of benefits or expense incurred for the most recent fiscal year ended before the Closing Date. No event, condition or circumstance exists that would prevent the amendment or termination of any Company Employee Plan without cost to the Company, except in connection with any additional benefits or costs (of which the Company has no current Knowledge) that may be associated with complying with laws enacted pursuant to COVID 19 relief measures and any other similar federal or state law.

(11) Each Company Employee Plan that is a "nonqualified deferred compensation plan" (within the meaning of Section 409A(d)(1) of the Code) has been operated in good faith compliance with Section 409A of the Code, IRS Notice 2005-1, Treasury Regulations issued under Section 409A of the Code, and any subsequent guidance relating thereto, and no additional tax under Section 409A(a)(1)(B) of the Code has been or is reasonably expected to be incurred by a participant in any such U.S. Company Employee Plan, and no employee of the Company or its Subsidiaries is entitled to any gross-up or otherwise entitled to indemnification by the Company, any Subsidiary of the Company or any ERISA Affiliate for any violation of Section 409A of the Code.

(12) Neither the Company, any of its Subsidiaries nor any ERISA Affiliate of the Company or any of its Subsidiaries has used the services or workers provided by third party contract labor suppliers, temporary employees, "leased employees" (as that term is defined in Section 414(n) of the Code), or individuals who have provided services as independent contractors, to an extent that would reasonably be expected to result in the disqualification of any of the Company Employee Plans or the imposition of penalties or excise taxes with respect to any of the Company Employee Plans by the Internal Revenue Service, the Department of Labor or the Pension Benefit Guaranty Corporation.

(13) As of the date of this Agreement, there have been no, nor to the Company's Knowledge are there any facts that would reasonably be expected to give rise to, any

actual or anticipated material changes to any Company Employee Plan resulting from disruptions caused by COVID-19 or related measures, nor are any such changes currently contemplated.

xxi..Taxes.

(1) With respect to filing Tax Returns and the payment of Taxes:

(a) Each of the Company its Subsidiaries has timely filed, or will timely file (taking into account extensions of time in which to file), with the appropriate Governmental Entity all Tax Returns required to be filed by it on or before the Closing Date. All such Tax Returns are, or will be, true, complete and correct in all material respects. All Taxes due and owing by each of the Company and its Subsidiaries (whether or not shown on any Tax Return) have been, or will be, timely paid.

(b) Each member of the Parent Consolidated Group has timely filed, or will timely file (taking into account extensions of time in which to file), with the appropriate Governmental Entity all Income Tax Returns that it is required to file on or before the Closing Date for each taxable period when the Company was a member of the Parent Consolidated Group. All such Tax Returns are, or will be, true, complete and correct in all material respects. All income Taxes due and owing by any member of the Parent Consolidated Group (whether or not shown on any Tax Return) have been, or will be, timely paid for any taxable period which the Company or any of its Subsidiaries was a member of the Parent Consolidated Group.

(2) The combined amount of the Company's and its Subsidiaries' liability for unpaid Taxes for all periods ending on or before the Balance Sheet Date does not, in the aggregate, exceed the amount of accruals for Taxes (excluding reserves for deferred Taxes) reflected on the Company Financial Statements. The combined amount of the Company's and its Subsidiaries' liability for unpaid Taxes for all periods following the end of the most recent period covered by the Company Financial Statements will not, in the aggregate, exceed the amount of accruals for Taxes (excluding reserves for deferred Taxes) as adjusted for the passage of time in accordance with the past custom and practice of the Company and its Subsidiaries (and which accruals shall not exceed comparable amounts incurred in similar periods in prior years).

(3) There are no Liens for Taxes upon the assets of the Company or any of its Subsidiaries (except where such Lien arises as a matter of law prior to the due date for paying the related Taxes).

(4) Except as set forth on Section 4.21(d) of the Disclosure Letter, there are no Tax audits, examinations, investigations or other claims or assessments pending or threatened in writing against or with respect to the Company or any of its Subsidiaries.

(5) There are not currently in force any waivers, agreements or other arrangements extending the period for assessment or collection of any Taxes (including any applicable statute of limitation) by or on behalf of the Company or any of its Subsidiaries.

(6) Each of the Company and its Subsidiaries has complied in all material respects with all applicable Laws relating to the payment and withholding of Taxes and has properly and timely withheld all Taxes required to be withheld by the Company in connection with amounts paid or owing to any employee, former employee, independent contractor, creditor, shareholder, Affiliate, customer, supplier or other Person. Each of the Company and its Subsidiaries has properly and timely paid all such withheld Taxes to the appropriate Governmental Entity or has properly set aside such withheld amounts in accounts for such purpose.

(7) Neither the Company nor any of its Subsidiaries is or has ever been a party to or bound by any Tax indemnity agreement, Tax sharing agreement, Tax allocation agreement or other similar agreement.

(8) Except as set forth on Section 4.21(h) of the Disclosure Letter, neither the Company nor any of its Subsidiaries has never been a member of an affiliated, combined, consolidated or unitary Tax group for Tax purposes (other than the Parent Consolidated Group). Neither the Company nor any of its Subsidiaries has any liability for the Taxes of any Person (other than another member of the Parent Consolidated Group) under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local or foreign Law), as a transferee or successor, by contract or otherwise.

(9) Neither the Company nor any of its Subsidiaries is, and none of them have been, a party to a "reportable transaction" within the meaning of Section 6707A of the Code and Treasury Regulation Section 1.6011-4(b).

(10) Neither the Company nor any of its Subsidiaries will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period or portion thereof ending after the Closing Date as a result of:

(a) any change in method of accounting under Section 481 of the Code (or any comparable provision of state, local or foreign Tax Laws), or use of an improper method of accounting, for a taxable period ending on or prior to the Closing Date;

(b) an installment sale or open transaction occurring on or prior to the Closing Date;

(c) a prepaid amount received on or before the Closing Date;

(d) any closing agreement under Section 7121 of the Code, or similar provision of state, local or foreign law;

(e) any election under Section 108(i) of the Code; or

(f) any income under Section 965(a) of the Code, including as a result of any election under Section 965(h) of the Code with respect thereto.

(11) No claim has been made in writing by any Taxing Authority in any jurisdiction where any of the Company or its Subsidiaries does not file Tax Returns that it is, or may be, subject to Tax by that jurisdiction.

(12) Neither the Company nor any of its Subsidiaries has, and none of them has ever had, a permanent establishment in any country outside the United States and is not, and has never been, subject to Tax in a jurisdiction outside the United States. The Company has not entered into a gain recognition agreement pursuant to Treasury Regulation Section 1.367(a)-8. The Company has not transferred an intangible the transfer of which would be subject to the rules of Section 367(d) of the Code.

(13) Within the three-year period ending as of the date of this Agreement, neither the Company nor any of its Subsidiaries has been a "distributing corporation" (within the meaning of Section 355(a)(1)(A) of the Code).

(14) No private letter rulings, technical advice memoranda or similar rulings have been requested by or with respect to the Company or any of its Subsidiaries, or entered into or issued by any Taxing Authority with respect to the Company or any of its Subsidiaries.

(15) Seller has delivered to Buyer copies of (i) the portion of Seller's federal Tax Returns relating to the Company and its Subsidiaries for Tax periods ended since December 31, 2016, (ii) any state, local or foreign Tax Returns of the Company since December 31, 2016 and (iii) any audit report or statement of deficiencies assessed against, agreed to by, or with respect to the Company for all Tax periods ending on or after December 31, 2016.

(16) No property owned by the Company or any of its Subsidiaries is (i) required to be treated as being owned by another person pursuant to the so-called "safe harbor lease" provisions of former Section 168(f)(8) of the Internal Revenue Code of 1954, as amended, (ii) subject to Section 168(g)(1)(A) of the Code, or (iii) subject to a disqualified leaseback or long-term agreement as defined in Section 467 of the Code.

(17) Seller is not a "foreign person" as that term is used in Treasury Regulations Section 1.1445-2.

(18) Neither the Company nor any of its Subsidiaries is a party to any joint venture, partnership or other agreement, contract or arrangement (whether in writing or verbally) which could be treated as a partnership for federal income tax purposes.

(19) There is no Contract, Company Employee Plan, agreement or arrangement covering any present or former employee, director or other service provider to the Company or any of its Subsidiaries that, by itself or collectively, would give rise to any parachute payment subject to Section 280G of the Code, nor has the Company or its Subsidiaries made any such payment, and the consummation of the transactions contemplated herein shall not obligate the Company or its Subsidiaries to make any parachute payment subject to Section 280G of the Code.

(20) Seller is eligible to make an election under Section 338(h)(10) of the Code with respect to the sale of the Shares, and no consent is required from any third party with respect to such election.

(21) The representations and warranties set forth in this Section 4.21 are the sole and exclusive representations and warranties of Parent and Seller regarding Tax matters.

xxii..Interested Party Transactions. Except as set forth in Section 4.22 of the Disclosure Letter, no officer, director, employee or Affiliate of the Company or any of its Subsidiaries, Seller or Parent, or, to the Company's Knowledge, any entity in which any such Person or individual owns any material beneficial interest, (a) is a party to any Contract or transaction with the Company or any of its Subsidiaries (other than Contracts or transactions related to their employment with, or the ownership of Equity Interests in, the Company), (b) has any material direct legal interest in any tangible or intangible asset or property used by the Company or its Subsidiaries, (c) has any direct or indirect ownership interest in any Person with which the Company or any of its Subsidiaries has a business relationship or any Person that competes with the Company or any of its Subsidiaries except for stock ownership of less than five percent (5%) in publicly traded or private companies, or (d) is directly or indirectly indebted to the Company or any of its Subsidiaries, and neither the Company nor any of its Subsidiaries is indebted (or committed to make loans or extend or guarantee credit) to any such Person, whether directly or indirectly.

xxiii..Absence of Certain Practices. To the Company's Knowledge, no director, manager, officer or employee of the Company or any of its Subsidiaries or other Person acting on their behalf, directly or indirectly, has given, made or agreed to give or make any illegal commission, payment, gratuity, gift, political contribution or other similar benefit to any employee or official of any Governmental Entity or any other Person who is or may be in a position to help or hinder the Company or any of its Subsidiaries or assist the Company or any of its Subsidiaries in connection with any proposed transaction.

xxiv..Officers, Managers and Directors; Bank Accounts. Section 4.24 of the Disclosure Letter lists (i) all officers and directors of the Company and its Subsidiaries; (ii) all bank accounts, safety deposit boxes and lock boxes (designating each authorized signatory with respect thereto) of the Company and its Subsidiaries and (iii) lists the bank, address, account number and title of each such account, safety deposit box and lock box.

xxv..Brokers' and Finders' Fees. No investment banker, broker, finder or other intermediary is entitled to any fee or commission in connection with the transactions contemplated by this Agreement based on arrangements made on behalf of Parent, Seller, the Company or any of their respective Subsidiaries or Affiliates for which Buyer or the Company will be responsible.

xxvi..Customers and Suppliers. Section 4.26 of the Disclosure Letter lists the twenty (20) largest customers (measured by annual revenue to the Company and its Subsidiaries in the twelve (12) month period ended on December 31, 2019) (collectively, the "Material Customers") and the ten (10) largest suppliers (measured by annual expenditures of the Company and its Subsidiaries in the twelve (12) month period ended on December 31, 2019) (collectively, the

"Material Suppliers") of the Company and its Subsidiaries. Except as set forth in Section 4.26 of the Disclosure Letter, no Material Customer or Material Supplier has canceled or otherwise modified in any material adverse respect its relationship with the Company or any of its Subsidiaries, and neither the Company nor any of its Subsidiaries has received written notice (or to the Company's Knowledge, any other notice or indication) that any such Material Customer or Material Supplier intends to cancel or otherwise modify in any material adverse respect its relationship with the Company or any of its Subsidiaries.

xxvii..Cares Act. The Company and each of its Subsidiaries has (a) complied in all material respects with the terms and conditions of the SBA PPP Loan and all applicable requirements of the CARES Act, the SBA and Small Business Act related thereto, (b) used the proceeds of any SBA PPP Loan solely for CARES Allowable Uses, and (c) kept required books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to any SBA PPP Loan. The aggregate principal amount of the SBA PPP Loans outstanding as of the date of this Agreement is $1,698,000. Prior to the date of this Agreement, the Company and its Subsidiaries have completed and submitted to the PPP Lender a Paycheck Protection Program Loan Forgiveness Application with respect to each PPP Loan obtained by them (the "PPP Forgiveness Applications").

xxviii..No Other Representations. Except for the representations and warranties made in ARTICLE III and this ARTICLE IV or in the Transaction Documents, neither the Company, Parent, Seller, nor any other Person (including any Subsidiary of the Company or any director, officer, manager, employee, Affiliate, advisor, agent or other representative of the Company, any Subsidiary of the Company) makes or has made any representation or warranty, express or implied, relating or with respect to this Agreement or the transactions contemplated hereby to Buyer or any other Person. Except as set forth in ARTICLE IX with respect to intentional fraud or willful misconduct, neither the Company, any of its Subsidiaries, Parent or Seller, nor any of their respective stockholders, directors, officers, managers, employees, Affiliates, advisors, agents or other representatives, will have or be subject to any liability to Buyer or any other Person resulting from the use by Buyer or its representatives or advisors of any financial information, financial projections, forecasts, budgets or any other document or information furnished to Buyer or any other Person (including information in the "data site" maintained by the Company or provided in any formal or informal management presentation); provided, however, that the foregoing does not limit Buyer's rights to recovery set forth in ARTICLE IX based on any breach of any of the representations and warranties expressly made in ARTICLE III and in this ARTICLE IV.

Article V.

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to the Company as follows:

i..Organization of Buyer. Buyer is duly organized, validly existing and in good standing under the Laws of the State of Delaware. Buyer has all requisite power and authority to own its properties and to carry on its business as now being conducted and is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the conduct of its business or

the ownership, leasing, holding or use of its properties makes such qualification necessary, except such other jurisdictions where the failure to be so qualified or licensed or in good standing would not reasonably be expected to have a material adverse effect on the ability of Buyer to perform its obligations pursuant to this Agreement or to consummate the transactions contemplated hereby in a timely manner.

ii..Authority. Buyer has all requisite power and authority to execute and deliver this Agreement and to perform all of its obligations hereunder. The execution, delivery and performance by Buyer of this Agreement and the consummation of the transactions contemplated to be performed by it under this Agreement have been duly authorized by all necessary and proper action on its part. This Agreement has been duly authorized, executed and delivered by Buyer and constitutes the legal, valid and binding obligation of Buyer, enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws relating to or affecting the enforcement of creditors' rights generally and by general principles of equity.

iii..No Conflict. The execution, delivery and performance by Buyer of this Agreement and the consummation by Buyer of the transactions contemplated hereby does not and will not, with or without the giving of notice or the lapse of time or both, (i) conflict with Buyer's Constitutional Documents, as amended to date, or (ii) result in a material breach or material violation of, the terms, conditions or provisions of, or constitute a material default or event of default, or create a right of acceleration, termination or cancellation or a loss of any material rights under any material Contract of Buyer or any Law, Permit or Judgment to which Buyer or any of its properties or assets are subject (excluding, in the case of this clause (iii), any such Law, Permit or Judgment the violation of which, individually or in the aggregate, has not (A) given, and would not reasonably be expected to give, rise to a material liability to Buyer or its Subsidiaries, or (B) materially and adversely affected, and would not reasonably be expected to materially and adversely affect, their ability to operate their businesses as presently conducted in compliance with applicable Law in all material respects, or (C) materially impaired, and would not reasonably be expected to materially impair, their ability to perform and comply in all material respects with all of their respective obligations under this Agreement and to consummate the transactions contemplated hereby).

iv..Consents. No consent, waiver, approval or authorization of, or registration, declaration or filing with, or notice to any Governmental Entity or other Person is required by, or with respect to, Buyer in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby, except for any filings that are required under any applicable federal or state securities Laws.

v..No Legal Actions. There is no Legal Action pending or, to the knowledge of Buyer, threatened, against or affecting Buyer or any of its properties or assets or otherwise that would reasonably be expected to have a material adverse effect on the ability of Buyer to perform its obligations pursuant to this Agreement or to consummate the transactions contemplated hereby in a timely manner or that in any manner draws into question the validity of this Agreement.

vi..Financing. Buyer has delivered to the Company true and complete copies of a commitment letter, dated October 28, 2020 (the "Financing Commitment"), between Buyer and Community Trust Bank, Inc. ("CTB"), pursuant to which CTB has agreed to lend the amounts set forth therein (the "Debt Financing") for the purpose of funding the transactions contemplated by this Agreement. The Financing Commitment has not been amended or modified prior to the date of this Agreement, and as of the date of this Agreement, the Financing Commitment has not been withdrawn or rescinded in any respect. The Financing Commitment is in full force and effect as of the date hereof, and constitutes the legal, valid and binding obligation of each of Buyer and, to Buyer's Knowledge, the other parties thereto pursuant to its terms. There are no contractual conditions precedent or other contingencies related to the funding of the full amount of the Debt Financing (including any "flex" provisions), other than as expressly set forth in the Financing Commitment. The aggregate proceeds to be disbursed pursuant to the agreements contemplated by the Financing Commitment, together with Buyer's cash on hand at the Closing, will be sufficient for Buyer and the Company (post-Closing) to pay all amounts contemplated by ARTICLE II, and to pay all related fees and expenses to be paid by Buyer at Closing. Assuming that the representations and warranties contained in ARTICLE III and IV are true and correct, as of the date of this Agreement, no event has occurred which would result in any breach or violation of or constitute a default (or an event which with notice or lapse of time or both would become a default) under the Financing Commitment, and Buyer does not have any reason to believe that any of the conditions to the Debt Financing will not be satisfied or that the Debt Financing will not be available to Buyer on the Closing Date. Buyer has fully paid all commitment fees or other fees required to be paid prior to the date of this Agreement pursuant to the Financing Commitment.

vii..Solvency. Immediately after giving effect to the consummation of the Acquisition and the other transactions contemplated by this Agreement, Buyer (a) will be able to pay its debts (including a reasonable estimate of the amount of all contingent liabilities) as they become due and payable, (b) will own property which has a fair saleable value greater than the amounts required to pay its debts (including a reasonable estimate of the amount of all contingent liabilities), and (c) will have adequate capital to carry on its business. No transfer of property is being made and no obligation is being incurred in connection with the transactions contemplated by this Agreement with the intent to hinder, delay or defraud current creditors of the Company or any of its Subsidiaries, or creditors of Buyer or any of its Subsidiaries.

viii..Brokers' and Finders' Fees. No investment banker, broker, finder or other intermediary is entitled to any fee or commission in connection with the transactions contemplated by this Agreement based on arrangements made on behalf of Buyer for which Seller or Parent will be responsible.

ix..No Other Representations. Except for the representations and warranties contained in this ARTICLE V or in the Transaction Documents, neither Buyer, nor any Person acting on its behalf (including any Subsidiary of Buyer (if any) or any director, officer, manager, employee, Affiliate, advisor, agent or other representative of Buyer, any Subsidiary of Buyer or any of Buyer's stockholders), makes or has made any representation or warranty, express or implied, relating or with respect to this Agreement or the transactions contemplated hereby to the

Company or any other Person. Except as set forth in ARTICLE IX with respect to intentional fraud or willful misconduct, neither the Buyer, any of its Subsidiaries nor any of their respective stockholders, directors, officers, managers, employees, Affiliates, advisors, agents or other representatives, will have or be subject to any liability to the Company or any other Person resulting from the use by the Company or its representatives or advisors of any document or information furnished to the Company or any other Person; provided, however, that the foregoing does not limit Seller' rights to recovery set forth in ARTICLE IX based on any breach of any of the representations and warranties expressly made in ARTICLE V.

Article VI.

COVENANTS

i..Conduct of Business. Until the earlier to occur of the Closing and the termination of this Agreement in accordance with its terms, except as (i) expressly contemplated by this Agreement, (ii) set forth in Section 6.1 of the Disclosure Letter, (iii) in connection with a COVID Action, or (iv) consented to in writing by Buyer (which consent shall not be unreasonably conditioned, withheld or delayed), Parent and Seller shall cause the Company to, and the Company shall, use its commercially reasonable efforts, and cause its Subsidiaries to use their commercially reasonable efforts, to (1) carry on their respective businesses in the Ordinary Course of Business in all material respects, (2) to keep its business and operations intact, retain its present officers and employees and preserve its material rights, franchises, goodwill and relations with its clients, customers, lessors, suppliers and others with whom it does business so that they will be preserved after the Closing, (3) to conduct their business in material compliance with all applicable Laws, and (4) conduct their business in accordance with the terms and conditions of each Company Material Contract. Without limiting the generality of the foregoing, except as (a) expressly contemplated by this Agreement, (b) set forth on Section 6.1 of the Disclosure Letter (c) in connection with a COVID Action or (d) consented to in writing by Buyer, the Company shall not, and shall not permit any of its Subsidiaries to directly or indirectly:

(1) amend its Constitutional Documents;

(2) declare or set aside any dividend or other distribution (whether in cash, Equity Interest or property) on or in respect of any of its capital stock, other than in the Ordinary Course of Business or that is paid prior to the Closing;

(3) authorize for issuance, issue, sell, deliver or agree or commit to issue, sell or deliver, any Equity Interests in the Company or any of its Subsidiaries, or any security convertible into, exchangeable for, or evidencing the right to subscribe for or acquire, any Equity Interests in the Company or any of its Subsidiaries;

(4) sell, lease, transfer, license, mortgage, pledge or otherwise dispose of or encumber, except for any Permitted Liens, any of its material properties or assets other than in the Ordinary Course of Business;

(5) incur or commit to any material capital expenditures, obligations or liabilities other than in the Ordinary Course of Business;

(6) incur, assume or guarantee any Debt in an aggregate amount exceeding $50,000, except (i) unsecured current obligations and liabilities incurred in the Ordinary Course of Business and (ii) borrowings under the Company's existing revolving credit facility;

(7) acquire any business or Person in any manner, including by merging or consolidating with, or acquire by purchasing a substantial portion of the Equity Interests or assets of, any business or Person;

(8) adopt any plan of reorganization, liquidation, merger, restructuring, recapitalization or dissolution or filing of a petition in bankruptcy under any provisions of federal or state bankruptcy Law or consent to the filing of any bankruptcy petition against it under any similar Law;

(9) change its auditor or change its methods of accounting in effect as of the date of this Agreement except as required by changes in GAAP;

(10) make any tax election, amend any Tax Return, or adopt or change any of its methods of accounting with respect to Taxes;

(11) settle, pay, discharge or compromise, or agree to settle, pay, discharge or compromise, any Legal Action, except for any such settlement or compromise in the Ordinary Course of Business that is not material to the operations or financial condition of the Company and its Subsidiaries taken as a whole and does not include any equitable relief applicable to any period of time after the Closing;

(12) enter into, amend, modify or renew any Contract regarding employment, consulting, severance or similar arrangements with any of its directors or senior officers, or grant any salary, wage or other increase in compensation to any Employee with a base salary in excess of $150,000, or modify materially any employee benefit except as may be required by Law;

(13) adopt any Company Benefit Plan or enter into any amendment, termination or modification of any Company Benefit Plan except as may be required by Law or in connection with annual renewals;

(14) hire or terminate any management level Employee other than in the Ordinary Course of Business;

(15) effect or permit a "mass layoff" or "plant closing" as those terms are defined under the WARN Act or engage in any action or conduct that triggers application of the WARN Act;

(16) recognize any labor union or any other association as the bargaining representative of the Employees;

(17) enter into any collective bargaining agreement, or negotiations for a collective bargaining agreement, with any labor union or other association with respect to the Employees;

(18) enter into any agreement or arrangement that limits or otherwise restricts the Company or any of its Subsidiaries or any of their present or future Affiliates or any successor thereto from engaging or competing in any line of business and/or in any location;

(19) enter into, amend, modify or terminate any Company Material Contract (other than customer Contracts in the Ordinary Course of Business) or Real Property lease or otherwise waive, release or assign any material rights, claims or benefits thereunder;

(20) fail to maintain in full force and effect any material policies or insurance coverage in effect as of the date hereof;

(21) enter into any material transaction or arrangement with, or for the benefit of, any Affiliate or any of directors, former directors, officers or stockholders of any Affiliate; or

(22) commit in writing to do any of the foregoing, or commit to do any of the foregoing by omission or failure to act.

ii..No Control of Other Party's Business. Nothing contained in this Agreement shall give Buyer, directly or indirectly, the right to control or direct the Company's operations prior to the Closing. Prior to the Closing, the Company shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over its business, assets and operations.

iii..Access to Information; Confidentiality. Until the earlier to occur of the Closing and the termination of this Agreement in accordance with its terms, Buyer and its representatives (including any financing sources and their respective representatives) shall continue to have reasonable access during normal business hours to the facilities, books and records (consistent with applicable Law regarding privacy) of the Company and its Subsidiaries to conduct such inspections as Buyer may reasonably request. Any inspection pursuant to this Section 6.2 will be conducted in such a manner so as not to interfere unreasonably with the conduct of the businesses of the Company and its Subsidiaries and in no event will any provision hereof be interpreted to require the Company or its Subsidiaries to permit any inspection, or to disclose any information, that the Company determines in good faith may waive any attorney-client or similar privilege that it or its Subsidiaries may hold or conflict with any of its obligations, or the obligations of its Subsidiaries, with respect to confidentiality. The foregoing notwithstanding, neither Buyer nor any of its representatives shall enter any facilities of the Company or its Subsidiaries or contact any of the employees (other than the senior officers identified by the Company to Buyer), landlords, customers or suppliers of the Company or its Subsidiaries without the prior written consent of Mathew Molchan, the chief executive officer of Parent, which consent shall not be unreasonably withheld, conditioned or delayed; it being acknowledged that any and all such contacts will be arranged by and coordinated with the Company and the Company shall cooperate in good faith with Buyer to facilitate such contact as may be reasonably requested by Buyer. All information exchanged pursuant to this Section 6.2 shall be subject to the Confidentiality Agreement.

iv..Satisfaction of Closing Conditions.

(1) Until the earlier to occur of the Closing and the termination of this Agreement in accordance with its terms, and subject to the terms and conditions of this Agreement, the Company and Buyer will use commercially reasonable efforts to take or cause to be taken as promptly as reasonably practicable all actions and to do or cause to be done as promptly as reasonably practicable all things necessary under the terms of this Agreement or under applicable Law to cause the satisfaction of the conditions set forth in ARTICLE VII and to consummate the transactions contemplated by this Agreement, including using their respective commercially reasonable efforts to obtain all Consents of all Governmental Entities or third parties that may be or become necessary in connection with the execution and delivery of, and the performance of its obligations pursuant to, this Agreement, and the Parties shall cooperate with each other with respect to each of the foregoing; provided, however, that (i) no Party shall be required to make any payment to obtain any Consent from a Governmental Entity or other third party required in order to consummate the transactions contemplated hereby, and (ii) neither Buyer nor the Company nor any of their Subsidiaries shall agree orally or in writing to any material amendments to any material Contract (including the Company Material Contracts) (whether to have effect prior to or after the Closing), in each case, in connection with obtaining any Consents from any Governmental Entity or other third party without obtaining the prior written consent of the other Party.

(2) From the date hereof until the Closing Date, each of Buyer and the Company shall promptly notify the other in writing of any pending, or to the Company's Knowledge or the knowledge of Buyer (as the case may be), threatened Legal Action by any Governmental Entity or any other Person (i) challenging or seeking material damages in connection with the transactions contemplated hereby or (ii) seeking to restrain or prohibit the consummation of the transactions contemplated hereby or otherwise limit in any material respect the right of Buyer to own or operate all or any portion of the business or assets of the Company or any of its Subsidiaries.

v..Financing.

(1) Buyer shall use commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to arrange and obtain the Debt Financing on the terms and conditions described in the Financing Commitments, including commercially reasonable efforts to (i) maintain in effect the Financing Commitments, (ii) satisfy on a timely basis all conditions applicable to Buyer to obtaining the Debt Financing, (iii) enter into definitive agreements with respect thereto on terms and conditions contained in the Financing Commitments (or other terms that would not materially and adversely impact the ability of Buyer to timely consummate the transactions contemplated hereby) and (iv) consummate the Debt Financing at or prior to the Closing.

(2) In the event all or any portion of the Debt Financing becomes unavailable on the terms and conditions described in or contemplated by the Financing Commitments for any reason, Buyer shall use commercially reasonable efforts to arrange to obtain alternative financing from alternative sources (the "Alternative Financing") in an amount sufficient to consummate the transactions contemplated by this Agreement.

(3) Buyer shall give Seller prompt written notice of any breach by any party of the Financing Commitments (or commitments for any Alternative Financing) of which Buyer becomes aware or any termination of the Financing Commitments (or commitments for any Alternative Financing). Buyer shall keep Seller informed on a current basis in reasonable detail of the status of its efforts to arrange the Debt Financing (or Alternative Financing) and provide to Seller copies of all documents related to the Debt Financing (or Alternative Financing).

(4) Prior to the Closing, the Company shall provide to Buyer, and shall cause its Subsidiaries to provide to Buyer, all cooperation reasonably requested by Buyer that is necessary, proper or advisable in connection with the Debt Financing and the other transactions contemplated by this Agreement.

vi..Preservation of Records. Buyer agrees that it shall not, for a period of at least six (6) years following the Closing Date, destroy or cause to be destroyed, or permit the Company or any of its Subsidiaries to destroy or cause to be destroyed, any material books or records relating to the pre-Closing operations of the Company or any of its Subsidiaries without first obtaining the consent of Seller (or providing to Seller notice of such intent and a reasonable opportunity to copy such books or records, at Seller expense, at least thirty (30) days prior to such destruction). Buyer and the Company shall allow Seller to have access to such books and records for all reasonable purposes.

vii..Estoppel Certificates. If requested by Buyer, Parent, Seller and the Company shall use commercially reasonable efforts to assist Buyer in obtaining estoppel certificates from the landlords who are parties to the Real Property Leases.

viii..Treatment of Employee Plans. Effective as of the day immediately preceding the Closing (and contingent upon the Closing becoming effective), the Company shall take all necessary corporate action to terminate the Company's participation in the Company Employee Plans set forth on Section 6.8 of the Disclosure Letter. The form and substance of such resolutions shall be subject to reasonable review and approval of Buyer. The Company also shall take such other actions in furtherance of terminating the Company's participation in the Company Employee Plans as Buyer may reasonably require. Effective as of the day immediately preceding the Closing (and contingent upon the Closing becoming effective), the Company shall terminate the Company's participation in all 401(k) plans in which the Company participates (collectively, the "Company 401(k) Plans"). The Company will take such action to ensure that the Company 401(k) Plans and each other employee benefit plan in which the Company participates are in documentary and operational compliance with the requirements of the Code and ERISA as of the date the Company's participation in such plans terminates, including the accrual of the liability for any required qualified non-elective contribution under any Company 401(k) Plan for the 2020 plan year.

ix..Employees and Employee Benefits.

(1) Seller will be responsible for (i) the payment of all wages and other remuneration due to employees with respect to their services as employees of the Company or any Subsidiary through the Closing Date; (ii) all liabilities for any Company Employee Plan

arising prior to Closing; and (iii) the payment of any termination or severance payments and the provision of health plan continuation coverage (including all administrative and notice obligations) under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), or any other applicable Law, with respect to any Company or Subsidiary employees (including, for purposes of COBRA continuation, any qualified beneficiaries) who are terminated on or before the Closing Date ("Terminated Employees"), any individuals currently receiving COBRA coverage, individuals who are within the COBRA election period that timely elect COBRA coverage, and those individuals who are "M&A qualified beneficiaries" (as such term is defined in Treasury Regulation Section 54.4980B-9, Q&A-4). Seller will be liable for any claims made or incurred by Terminated Employees under the Company Employee Plans, and Buyer will not have any responsibility, liability or obligation to such employees, their beneficiaries or any other Person with respect to any Company Employee Plan. Seller and the Company shall make or cause to be made on behalf of all Terminated Employees all contributions due to be made under each Company Employee Plan for all periods prior to the Closing Date. Additionally, Seller, at its sole cost and expense, shall take such actions as are necessary to make, or cause each Company Employee Plan to make, appropriate distributions to all the employees of the Company and its Subsidiaries in accordance with such Company Employee Plan and applicable Law. Seller and Buyer will cooperate to facilitate the transfer of the unexpended balances in the health care flexible spending accounts and dependent care flexible spending accounts of employees of the Company following Closing on a basis consistent with IRS Rev. Rul. 2002-32, provided that Buyer or the Company maintains the necessary plans set up to receive such balances.

(2) Prior to the Closing or earlier termination of this Agreement, none of the Seller Parties shall transfer the employment of any of the Employees listed on Section 6.9(b) of the Disclosure Letter to any Person other than the Company or one of its Subsidiaries. From and after the date hereof, Seller and Parent shall use commercially reasonable efforts to cooperate with Buyer in connection with Buyer's negotiations with such employees for their continued employment the Company or one of its Subsidiaries after the Closing.

(3) Prior to the Closing, the Seller Parties shall cause the transfer of employment of the Employees listed on Section 6.9(c) of the Disclosure Letter to Parent or a Subsidiary of Parent other than the Company or any of its Subsidiaries.

(4) Prior to the Closing, Seller will take all reasonable action necessary, to the extent permitted, to confirm that the Company 401(k) Plan will permit the rollover of outstanding plan loans for any Company employee to a Buyer plan, if any. Prior to the Closing, Buyer will take all reasonable action necessary, to the extent permitted, to confirm that its plan, if any, will accept the rollover of any outstanding plan loans for any Company employee.

x..Indemnification of Officers and Directors. In accordance with Section 6.4(c) of that certain Stock Purchase Agreement, dated as of October 13, 2015, by and among Digirad Corporation, Project Rendezvous Holding Corporation, the stockholders of Project Rendezvous Holding Corporation, and Platinum Equity Advisors, LLC as the stockholder representative, Buyer agrees to assume Parent's obligations imposed by Section 6.4 thereof relating to the

indemnification of certain persons thereunder. The Parties agree that nothing herein shall change, alter or amend the various parties-in-interest's rights with respect to that certain Director and Officer Tail Policy (Policy No. 35715630) purchased by Project Rendezvous Holding Corporation.

xi..Notification of Certain Matters. Between the date of this Agreement and the Closing Date, Parent and Seller shall give prompt notice to Buyer (a) of any act, omission, occurrence or event which will cause or be likely to cause any of Parent or Seller's representations or warranties contained in this Agreement to be untrue or inaccurate at any time from the date hereof to the Closing, (b) of any notice or other communication received by Parent, Seller, the Company or any of their Affiliates from any Governmental Entity in connection with the transactions contemplated by this Agreement or from any Person alleging that any Consent of such Person is or may be required in connection with the transactions contemplated by this Agreement, (c) of any Legal Action commenced or threatened in writing relating to or otherwise affecting Parent, Seller, the Company or any of their Affiliates which relate to the transactions contemplated by this Agreement, and (d) if such party becomes aware of any fact, circumstance or event that would reasonably be expected to cause any of the conditions set forth in Article VII not to be satisfied. Notwithstanding the foregoing, neither the delivery or non-delivery of any notice pursuant to this Section 6.11 nor any disclosures provided thereby shall affect any of the rights, remedies or obligations of the parties hereunder.

xii..Financial Statements. During the period beginning on the date of execution and delivery of this Agreement and ending at the earlier of the Closing or the termination of this Agreement, the Company shall provide to Buyer (a) no later than 30 days after the end of each calendar month, unaudited financial statements as of and for such month for the Company and its Subsidiaries and (b) within 45 days after the end of each fiscal quarter, unaudited financial statements as of and for such fiscal quarter.

xiii..Exclusivity. Until the earlier of the Closing or such date as this Agreement is terminated pursuant to and in accordance with the terms of Section 8.1, Seller and Parent shall not, and shall cause the Company not to, directly or indirectly initiate, solicit, negotiate, accept or discuss any proposal or offer (an "Acquisition Proposal") to acquire all or any portion of the shares of capital stock of the Company or all or any significant part of the Company's assets, whether by merger, purchase of equity securities, purchase of assets, tender offer or otherwise (a "Competing Acquisition"), or provide any nonpublic information to any third party for use in connection with an Acquisition Proposal, or enter into any Contract with respect to an Acquisition Proposal or a Competing Acquisition or requiring Seller and the Company to abandon the transactions contemplated by this Agreement. Seller shall notify Buyer immediately if any Person makes any Acquisition Proposal or proposes a Competing Acquisition to Parent, Seller or the Company. Seller represent that neither Seller, Parent nor the Company is a party to or bound by any Contract with respect to an Acquisition Proposal or Competing Acquisition other than under this Agreement.

xiv..Cares Act.

(1) Prior to the Closing, Company shall (i) comply in all material respects with all terms and conditions of any SBA PPP Loan and all applicable requirements of the CARES Act, the SBA and Small Business Act related thereto, (ii) use the proceeds of any SBA PPP Loan solely for CARES Allowable Uses, and (iii) keep required books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to any SBA PPP Loan.

(2) If, on or before the Closing Date, either (i) Seller has not completed the forgiveness process (including any appeals of SBA's decisions) and received a final, written determination from the SBA as to whether all of the SBA PPP Loans have been fully or partially forgiven in accordance with the SBA PPP Forgiveness Applications, or (ii) the requisite SBA PPP Loan funds have not been received by the SBA PPP Loan Lender, then prior to the Closing (x) the Company and Seller shall establish an interest-bearing escrow account with the SBA PPP Loan Lender into which a portion of the Net Initial Purchase Price equal to the entire outstanding balance of the SBA PPP Loans (including accrued and unpaid interest and other amounts payable with respect thereto), shall be deposited and held until such forgiveness determination is made pursuant to an escrow agreement in form and substance reasonably acceptable to Buyer, Seller and the SBA PPP Loan Lender (such amount, the "SBA PPP Loan Escrow Amount"), and (y) following the final determination by the SBA as to all of the matters set forth in the SBA PPP Forgiveness Applications, the Company and Seller shall provide joint written instructions to the SBA PPP Loan Lender to repay in full from the SBA PPP Loan Escrow Amount any portion of the SBA PPP Loans that is not forgiven (including accrued and unpaid interest and other amounts payable with respect thereto), and to disburse the remaining balance, if any, to Seller. Neither the provisions of this Section 6.14(b) nor any determination made by the SBA with respect to the SBA PPP Forgiveness Applications shall be deemed to limit any of the rights or remedies of Buyer hereunder, including the rights and remedies set forth in Article IX hereof.

(3) Prior to the Closing, Seller shall promptly provide Buyer with copies of any correspondence or other written communications received by Seller, the Company or its Subsidiaries from the SBA or the SBA PPP Lender with respect to the SBA PPP Loans, including, without limitation, any determination made by the SBA with respect to the SBA PPP Forgiveness Applications. Buyer shall promptly provide Seller with any information necessary to provide the SBA with all relevant SBA PPP Loan information should the SBA PPP Loans become the subject of an audit by the SBA.

xv..Digirad Guaranties. Following Closing, Buyer shall use its commercially reasonable efforts to replace Parent as a guarantor under, or otherwise cause Parent to be released in full from, those contracts listed on Schedule 6.15 to the Disclosure Letter (each a "Digirad Guaranty"). To the extent that any Digirad Guaranty cannot be so released and cancelled, Buyer shall use its commercially reasonable efforts to cause itself or one of its Affiliates to be substituted for Parent in respect of such Digirad Guaranty (or if not possible, added as the primary obligor with respect thereto). If Buyer is not able to either fully release and cancel such Digirad Guaranty or cause itself or one of its Affiliates to be so substituted in all respects in respect of such Digirad Guaranty, then Buyer shall, pursuant to Article IX and beginning as of the Closing Date, indemnify, defend and hold harmless Parent and each such Affiliate of Digirad

with respect to all liabilities, costs and expenses that might arise or be incurred by Parent or such Affiliate of Digirad with respect to any such Digirad Guaranty to the extent of any liability thereunder arising after the Closing (the "Post Closing Guaranty Liabilities").

xvi..Insurance.

(1) From and after the Closing, the Parent shall cause the Company and each of its Subsidiaries to maintain all rights of an insured with respect to any and all insurance policies applicable to the Company, each of its Subsidiaries and their respective assets and properties (the "Applicable Insurance Policies") with respect to bodily injury, property damage, accident, incident or wrongful act that took place prior to the Closing Date; provided, however, that for purposes of this Section 6.16, the Company and its Subsidiaries: (i) shall not be entitled to make any claims or collect any proceeds under the following policies or self-insurance programs (such policies and programs collectively, the "Excluded Policies"): (A) any self-insurance programs of Parent or its Affiliates (except for excess reinsurance coverage) or (B) any other insurance policies or programs whereby and to the extent that payments made pursuant to such policies or programs are indemnified by Parent or its Affiliates and (ii) agree to indemnify Parent with respect to any third party claims against the insurer under the Excluded Policies for which and to the extent Parent or its Affiliates have indemnified such insurer.

(2) Buyer shall reimburse Parent for any claim payments, including but not limited to any deductible and/or self-insured retention, and the related third party loss handling charges and other related expenses payable to third parties; taxes, surcharges and assessments; and letter of credit fees allocable to the Company or any of its Subsidiaries with respect to claims against the insurer by the Company or any of its Subsidiaries after the Closing arising from bodily injury, property damage, accident, incident or wrongful act that took place prior to the Closing Date, in each case to the extent the payment with respect thereof is made by Seller on or after the Closing Date. Such reimbursement shall be made within fifteen (15) business days after receipt of an invoice from Seller setting forth reasonable details of the requested reimbursement.

(3) Seller agrees to use commercially reasonable efforts cooperate with Buyer, the Company and its Subsidiaries in making claims under the Applicable Insurance Policies with respect to bodily injury, property damage, accident, incident or wrongful act that occurred prior to the Closing Date, and shall remit promptly any net recoveries with respect thereto, to the extent received by Seller or any of its affiliates, to Buyer in proportion to Buyer's loss as against the entire loss.

(4) From and after the Closing, Parent shall provide to Buyer and its agents, upon request by Buyer, reasonable access to copies of the Applicable Insurance Policies and other documents and information with respect to any claims made or that may potentially be made by or on behalf of the Company or any of its Subsidiaries or by third parties pursuant to any Applicable Insurance Policies (including any claims referred to in Section 6.16(a) above). Buyer, at its own expense, shall be entitled to make copies of such policies, documents and information, provided that Buyer shall not provide such documents to any third party without the prior written consent of Parent.

(5) Notwithstanding the foregoing, nothing in this Section 6.16 shall obligate Parent or any of its Affiliates to maintain any insurance policy for any bodily injury, property damage, accident, incident, or wrongful act that occurs subsequent to the Closing Date.

Article VII.

CONDITIONS PRECEDENT TO THE CLOSING

i..Conditions to Each Party's Obligations. The obligations of the Company and Seller, on the one hand, and Buyer, on the other hand, to consummate the Acquisition are subject to the fulfillment, on or before the Closing Date, of the following condition: no Governmental Entity of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any temporary restraining order, initial or permanent injunction or other Judgment or other legal restraint or prohibition that is in effect and prevents, enjoins or otherwise prohibits the consummation of the Acquisition.

ii..Conditions to the Obligation of Buyer. The obligation of Buyer to consummate the Acquisition is subject to the satisfaction, on or before the Closing Date, of each of the following further conditions, any one or more of which may be waived in writing by Buyer:

(1) The General Representations of Seller and the Company shall be true and correct in all respects (disregarding any "material," "in all material respects," "Company Material Adverse Effect," or similar qualifications contained therein) at and as of the Closing Date, as if made at and as of such date, (except to the extent that such representations and warranties speak as of a specific date or as of the date of this Agreement, in which case such representation and warranty shall be true and correct as of such date or dates) except for those failures to be so true and correct as would not reasonably be expected to have, in the aggregate, a Company Material Adverse Effect, and Buyer shall have received a certificate signed by an officer of the Company to the foregoing effect;

(2) The Seller Fundamental Representations shall be true and correct in all material respects (disregarding any "material," "in all material respects," "Company Material Adverse Effect," or similar qualifications contained therein) at and as of the Closing Date, as if made at and as of such date, (except to the extent that such representations and warranties speak as of a specific date or as of the date of this Agreement, in which case such representation and warranty shall be true and correct as of such date or dates), and Buyer shall have received a certificate signed by an officer of the Company to the foregoing effect;

(3) The Company and Seller shall have performed and complied in all material respects their respective obligations hereunder required to be performed or complied with by each of them on or prior to the Closing Date, and Buyer shall have received a certificate signed by an officer of the Company to the foregoing effect;

(4) Buyer shall have received a certificate of the Secretary of the Company certifying true and complete copies of (i) the Constitutional Documents of the Company, as in effect on the Closing Date; and (ii) the resolutions of the Board authorizing the execution, delivery and performance of this Agreement and the transactions contemplated hereby;

(5) The Company shall have obtained and delivered to Buyer the Consents set forth in Section 7.2(e) of the Disclosure Letter;

(6) Seller shall have delivered the Certificates, duly endorsed for transfer to Buyer;

(7) The Company shall have delivered to Buyer (i) a properly executed affidavit, in form and substance acceptable to Buyer, pursuant to Section 1445(b)(3)(A) of the Code certifying that the Company is not and has not been a United States real property holding corporation (as defined in Section 897(c)(2) of the Code) during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code and (ii) an executed notice to the Internal Revenue Service regarding delivery of the affidavit above, in form and substance acceptable to Buyer and in compliance with the requirements of Treasury Regulation Section 1.897-2(h)(2);

(8) The Transaction Documents to which the Company, any of its Subsidiaries, Parent or Seller is a party shall have been executed and delivered by the Company and such Subsidiaries, Parent and Seller, as applicable, and true and complete copies thereof shall have been delivered to Buyer;

(9) Buyer shall have received customary pay-off letters or similar acknowledgments of the discharge of the Debt set forth on Section 7.2(i) of the Disclosure Letter, to be paid off at Closing ("Payoff Letters"), setting forth the amount owed as of the Closing Date and indicating that upon payment of such amount, such Debt will be discharged in full and all related Liens (other than Permitted Liens) will be released and removed;

(10) Buyer shall have received letters of resignation from the officers and directors set forth on Section 7.2(j) of the Disclosure Letter;

(11) The Seller shall have delivered evidence reasonably satisfactory to Buyer that the requirements of Section 6.8, and Section 6.9 have been met; and

(12) Buyer shall have obtained the funds contemplated by the Financing Commitment and/or Alternative Financing; provided, however, Buyer may rely on this Section 7.2(l) as a condition to Buyer's obligations hereunder only if Buyer shall have complied with its obligations pursuant to Section 6.5 in all material respects.

iii..Conditions to the Obligation of the Seller Parties. The obligation of the Seller Parties to consummate the Acquisition is subject to the satisfaction, on or before the Closing Date, of each of the following further conditions, any one or more of which may be waived in writing by the Parent:

(1) The representations and warranties of Buyer contained in this Agreement and in any certificate or other writing delivered by Buyer pursuant hereto shall be true and correct in all material respects (disregarding any "material," "in all material respects," "material adverse effect," or similar qualifications contained therein) at and as of the Closing Date, as if made at and as of such date, (except to the extent that such representations and warranties speak

as of a specific date or as of the date of this Agreement, in which case such representation and warranty shall be true and correct as of such date or dates) and Seller shall have received a certificate signed by an officer of Buyer to the foregoing effect;

(2) Buyer shall have performed and complied in all material respects with all of its obligations hereunder required to be performed or complied with by it at or prior to the Closing Date, and Seller shall have received a certificate signed by an officer of Buyer to the foregoing effect;

(3) Seller shall have received a certificate of the Secretary of Buyer certifying true and complete copies of (i) the Constitutional Documents of Buyer as in effect on the Closing Date; and (ii) resolutions of the board of directors of Buyer authorizing the execution, delivery and performance of this Agreement and the transactions contemplated hereby; and

(4) The Transaction Documents to which Buyer is party shall have been executed and delivered by Buyer and true and complete copies thereof shall have been delivered to Seller.

Article VIII.

TERMINATION

i..Termination. This Agreement may be terminated and the Acquisition abandoned at any time prior to the Closing:

(1) by written agreement of Seller and Buyer;

(2) by either Buyer, on the one hand, or Seller, on the other hand, if (i) the Closing has not occurred by February 15, 2021 (or such later date as shall be mutually agreed to in writing by Buyer and Seller) (the "Outside Date"); provided, however, that the right to terminate this Agreement under this Section 8.1(b)(i) shall not be available to any Party whose action or failure to fulfill any obligation hereunder has been the cause of, or resulted in, the failure of the Closing to occur on or before the Outside Date and such action or failure constitutes a breach of this Agreement; (ii) there shall be a final non-appealable order of a Governmental Entity in effect prohibiting consummation of the Acquisition; provided, however, that the terms of this Section 8.1(b)(ii) shall not be available to the terminating Party (A) if such order or action was caused by the action or the failure to act of the terminating Party and such action or failure constitutes a breach of this Agreement by such Party or (B) such terminating Party did not use its commercially reasonable efforts to oppose any such order or action or to have such governmental order vacated or made inapplicable to this Agreement; or (iii) there shall be any Law enacted, promulgated or issued or deemed applicable to the Acquisition by any Governmental Entity that in the opinion of counsel of the terminating Party would make consummation of the Acquisition illegal;

(3) by Buyer (i) if there shall have been any action taken, or any Law enacted, promulgated or issued or deemed applicable to the Acquisition, by any Governmental Entity, which would (A) prohibit Buyer's ownership or operation of any material portion of the business

of the Company or its Subsidiaries, or (B) compel Buyer to dispose of or hold separate, as a result of the Acquisition, any material portion of the business or assets of Buyer, the Company or the Company's Subsidiaries; or (ii) if Buyer is not in material breach of its obligations under this Agreement and there has been a breach of any representation, warranty, covenant or agreement contained in this Agreement on the part of the Company or Seller and, as a result of such breach, the conditions set forth in Section 7.1 or Section 7.2, as the case may be, would not then be satisfied; provided, however, that if such breach is curable by the Company or Seller prior to the Outside Date through the exercise of its commercially reasonable efforts, then Buyer may not terminate this Agreement under this Section 8.1(c) prior to the earlier of the Outside Date or that date which is fifteen (15) days following the Company's receipt of written notice from Buyer of such breach, it being understood that Buyer may not terminate this Agreement pursuant to this Section 8.1(c) if such breach by the Company or Seller is cured within such fifteen (15) day period so that such conditions would then be satisfied; or (iii) as a result of Buyer not having the funds available as provided in the Financing Commitment and/or Alternative Financing (resulting in the closing condition set forth in Section 7.2(l) not being satisfied) (a "Specified Termination");

(4) by Seller if the Company and Seller are not in material breach of their respective obligations under this Agreement and there has been a breach of any representation, warranty, covenant or agreement contained in this Agreement on the part of Buyer and as a result of such breach the conditions set forth in Section 7.1 or Section 7.3, as the case may be, would not then be satisfied; provided, however, that if such breach is curable by Buyer prior to the Outside Date through the exercise of its commercially reasonable efforts, then Seller may not terminate this Agreement under this Section 8.1(d) prior to the earlier of the Outside Date or that date which is fifteen (15) days following Buyer's receipt of written notice from Seller of such breach, it being understood that Seller may not terminate this Agreement pursuant to this Section 8.1(d) if such breach by Buyer is cured within such fifteen (15) day period so that such conditions would then be satisfied.

(5) Where action is taken to terminate this Agreement pursuant to this Section 8.1, it shall be sufficient for such action to be authorized by the board of directors or similar governing body of the Party taking such action.

ii..Reverse Termination Fee. If this Agreement is terminated by Buyer in connection with a Specified Termination, Buyer shall pay to Seller (or its designees), as the Seller Parties' sole and exclusive remedy, an amount equal to Five Hundred Thousand Dollars ($500,000) (the "Reverse Termination Fee") in immediately available funds within two (2) Business Days after the date of such termination. Each of the Parties hereto acknowledges and agrees that (i) the agreements contained in this Section 8.2 are an integral part of the transactions contemplated by this Agreement and, (ii) in light of the difficulty of accurately determining actual damages with respect to the foregoing upon any Specified Termination, the right to payment of the Reverse Termination Fee constitutes a reasonable estimate of the losses that will be suffered by reason of any such Specified Termination and constitutes liquidated damages (and not a penalty). Accordingly, the sole and exclusive remedy (whether at law, in equity, in contract, in tort or otherwise) of Seller, Parent and their respective Affiliates as a result of or following any

Specified Termination against Buyer and each of its former, current or future equity holders, controlling Persons, directors, officers, employees, agents, general or limited partners, managers, management companies, members, stockholders, Affiliates, representatives or assignees and any and all former, current or future equity holders, controlling Persons, directors, officers, employees, agents, general or limited partners, managers, management companies, members, stockholders, Affiliates or assignees of any of the foregoing, and any and all former, current or future heirs, executors, administrators, trustees, successors or assigns of any of the foregoing, (each, a "Buyer Related Party," and collectively, the "Buyer Related Parties") in respect of this Agreement, any Contract or agreement executed in connection herewith and the transactions contemplated hereby and thereby shall be to collect the Reverse Termination Fee and upon payment of such amount, no Buyer Related Party shall have any other liability or obligation for any or all Losses suffered or incurred by any Seller Party or any of their respective Affiliates (including the termination hereof), the transactions contemplated hereby (and the abandonment thereof) or any matter forming the basis for such termination, and neither Seller, any other Seller Party nor any of their respective Affiliates shall be entitled to bring or maintain any other claim, action or proceeding against the Buyer Related Parties arising out of this Agreement or any of the transactions contemplated hereby or any matters forming the basis for such termination.

iii..Effect of Termination. Except as otherwise set forth in this Section 8.3 any termination of this Agreement under Section 8.1 will be effective immediately upon the delivery of written notice of such termination by the terminating Party to the other Parties. In the event of the termination of this Agreement as provided in Section 8.1, this Agreement shall be of no further force or effect, except that (i) Section 8.2 and this Section 8.3 and ARTICLE XII shall survive the termination of this Agreement, and (ii) nothing herein shall relieve any Party from liability for any breach of this Agreement prior to such termination or relieve Buyer from its obligation to pay the Reverse Termination Fee in the event of a Specified Termination. No termination of this Agreement shall affect the obligations of the parties to the Confidentiality Agreement, all of which obligations shall survive the termination of this Agreement.

Article IX.

INDEMNIFICATION

i..Survival of Representations and Warranties.

(1) The representations and warranties of the Company and Seller contained in this Agreement other than the Seller Fundamental Representations shall terminate at 5:00 p.m. Eastern Time on the date that is twelve (12) months after the Closing Date (the "Expiration Date"); provided, however, that the representations and warranties of the Company and Seller contained in Section 3.1 (Authority), Section 3.3 (Title to Shares), Section 3.5 (Solvency), Section 4.1 (Organization and Qualification of the Company), Section 4.2 (Organization and Qualification of Subsidiaries), Section 4.3 (Capitalization) and Section 4.4 (Authority), Section 4.18 (Environmental Matters), Section 4.20 (Employee Benefit Plans), Section 4.21(Tax Matters), Section 4.25 (Brokers' and Finders' Fees) (collectively, the "Seller Fundamental Representations"), and the representations and warranties of Buyer contained in Section 5.1 (Organization of Buyer), Section 5.2 (Authority) and Section 5.9 (Brokers' and Finders' Fees)

(collectively, the "Buyer Fundamental Representations"), shall survive the Closing until sixty (60) days after the expiration of the statute of limitations for any claim hereunder relating to the matters covered by the applicable Fundamental Representations (the representations and warranties of the Company and Seller contained in this Agreement, other than the Seller Fundamental Representations, are referred to herein as the "General Representations"); provided, further that all representations and warranties shall survive beyond the Expiration Date or other survival period specified above with respect to any inaccuracy therein or breach thereof if a claim is made hereunder in writing setting forth the specific claim and the basis therefor prior to the Expiration Date or other survival period specified above, in which case such representation and warranty shall survive as to such claim until such claim has been finally resolved.

(2) The representations and warranties of Buyer contained in this Agreement shall survive the Closing and terminate on the Expiration Date, other than the Buyer Fundamental Representations, which shall survive for the period set forth in Section 9.1(a); provided, however, that all representations and warranties of Buyer shall survive beyond the Expiration Date or other survival periods specified above with respect to any inaccuracy therein or breach thereof if a claim is made hereunder in writing setting forth the specific claim and the basis therefor prior to the Expiration Date, in which case such representation and warranty shall survive as to such claim until such claim has been finally resolved. For the avoidance of doubt, it is the intention of the parties hereto that the foregoing respective survival periods and termination dates set forth in Section 9.1(a) and Section 9.1(b) supersede any applicable statutes of limitations that would otherwise apply to such representations and warranties.

ii..Indemnification.

(1) Subject to the other provisions of this ARTICLE IX, Seller and Parent (together, the "Seller Indemnitors") shall jointly and severally indemnify, defend and hold harmless Buyer, the Company, their Affiliates and each of their respective officers, directors, stockholders, employees, partners, members, managers and agents and (the "Buyer Indemnified Parties") from and against any and all Losses incurred or suffered by any such Buyer Indemnified Parties directly or indirectly as a result of, with respect to or in connection with:

(a) a breach of, or inaccuracy in, any of the representations or warranties made by any of the Seller Parties in this Agreement;

(b) any failure by any Seller Party to fully perform, fulfill or comply with any covenant, agreement or obligation set forth herein to be performed, fulfilled or complied with by the Company prior to the Closing or by any other Seller Party at any time;

(c) any breach of, or inaccuracy in, any representation or warranty made in Section 4.21;

(d) all Taxes of the Company and any of its Subsidiaries or relating to the business of the Company and its Subsidiaries for all Pre-Closing Tax Periods, including, without limitation, Taxes of the Company and any of its Subsidiaries for any Straddle Period that ends at the close of business on the Closing Date as determined under Section 10.3;

(e) any Debt outstanding as of the Closing Date that is not taken into account in determining the Net Initial Purchase Price, including, without limitation, any portion of an SBA PPP Loan that is not forgiven in full in accordance with Section 1106 of the CARES Act; and

(f) any Transaction Expenses that are not taken into account in determining the Net Initial Purchase Price.

(2) Subject to the other provisions of this ARTICLE IX, Buyer and the Company (the "Buyer Indemnitors") shall indemnify, defend and hold harmless Seller, Parent and each of their respective officers, directors, employees, partners, members, agents and Affiliates (the "Seller Indemnified Parties") against any and all Losses incurred or suffered by any such Seller Indemnified Parties directly or indirectly as a result of, with respect to or in connection with:

(a) a breach of, or inaccuracy in, any of the representations or warranties made by Buyer in this Agreement;

(b) any failure by Buyer to fully perform, fulfill or comply with any covenant, agreement or obligation set forth herein to be performed, fulfilled or complied with by Buyer at any time; and

(c) any Post Closing Guaranty Liabilities.

(3) Notwithstanding anything contained herein to the contrary, for purposes of determining both (i) whether a breach of, or inaccuracy in, any of the representations and warranties set forth in this Agreement, or any failure of a Party to fully perform, fulfill or comply with any covenant, agreement or obligation set forth in this Agreement, has occurred, and (ii) calculating the amount of any Losses for which any Buyer Indemnified Party or Seller Indemnified Party, as applicable, is entitled to indemnification pursuant to this ARTICLE IX, all "materiality," "Material Adverse Effect" and similar qualifications contained in such representations, warranties, covenants and agreements shall be disregarded.

(4) Notwithstanding anything contained herein to the contrary, the obligations of the Seller and Parent to indemnify the Buyer Indemnified Parties pursuant to this Agreement shall be joint, several and solidary, with the intent of the parties being that each of Seller and Parent shall be liable under this Article IX and Article X to the Buyer Indemnified Parties for any and all amounts that may be due hereunder.

iii..Limitations on Liability.

(1) Notwithstanding anything to the contrary in this Agreement, the Seller Indemnitors shall be obligated to indemnify the Buyer Indemnified Parties pursuant to Section 9.2(a)(i) of this Agreement (i) only for Losses that are the subject of claims made prior to the Expiration Date and in accordance with this Agreement pursuant to Section 9.2(a)(i) of this Agreement; provided, however, that in no event shall the aggregate liability of the Seller

Indemnitors pursuant to Section 9.2(a)(i) of this Agreement with respect to any and all Losses exceed Three Million Dollars ($3,000,000) (the "Cap").

(2) Buyer shall be obligated to indemnify the Seller Indemnified Parties pursuant to Section 9.2(b)(i) of this Agreement (i) only for Losses that are the subject of claims made prior to the Expiration Date and in accordance with this Agreement pursuant to Section 9.2(b)(i) of this Agreement; provided, however, that in no event shall the aggregate liability of Buyer pursuant to Section 9.2(b)(i) of this Agreement with respect to any and all Losses exceed the Cap.

(3) Notwithstanding anything to the contrary in this Agreement, neither Seller nor Parent shall be required to make any indemnification payment pursuant to Section 9.2(a)(i) until such time as the total amount of all Losses that have been directly or indirectly suffered or incurred by any one or more of the Buyer Indemnified Parties, or to which any one or more of the Buyer Indemnified Parties, has or have otherwise directly or indirectly become subject, exceeds One Hundred Eighty-Seven Thousand Five Hundred Dollars $187,500 (the "Deductible") in the aggregate. Once the total amount of such Losses exceeds the Deductible, then the Buyer Indemnified Parties shall be entitled to be indemnified and held harmless against and compensated and reimbursed for only that portion of such Losses exceeding the Deductible.

(4) The amount of Losses for which indemnification is provided under this ARTICLE IX shall be calculated net of any amounts actually recovered by the Buyer Indemnified Parties under insurance policies with respect to such Losses (net of any costs to recover such insurance payments).

(5) The amount of Losses for which indemnification is provided under this ARTICLE IX shall be calculated net of any Tax benefits actually realized by the Indemnitee in the taxable period that includes the indemnity payment, any carryback Tax period prior to such taxable period, or the Tax years following such taxable period (solely through a reduction in cash Tax payments required to be made or an increase in Tax refunds actually received), which Tax benefits shall be calculated net of any cash Tax costs, in each case, as a result of the Losses or receipt of an indemnity payment on a claim therefor.

(6) Notwithstanding the fact that any Indemnified Party may have the right to assert claims for indemnification under or in respect of more than one provision of this Agreement in respect of any fact, event, condition or circumstance, no Indemnified Party shall be entitled to recover the amount of any Losses suffered by such Indemnified Party more than once, regardless of whether such Losses may be as a result of a breach of more than one representation, warranty or covenant, provided, however, that the foregoing limitation shall not prevent an Indemnified Party from recovering all Losses to which it is entitled hereunder arising out of the same set of facts, events, conditions or circumstances (but not more than once) notwithstanding the fact that an indemnification claim for such Losses is based upon more than one representation, warranty or covenant.

(7) No Indemnified Party shall be entitled to indemnification pursuant to this Agreement with respect to Losses arising in connection with a breach of or any inaccuracy in any

of the representations and warranties of the Company set forth in this Agreement if and to the extent that the alleged breach relates to a balance sheet asset or liability that was reflected in the calculation of Closing Net Working Capital as finally determined pursuant to Section 2.2(c).

(8) Notwithstanding anything in this Agreement to the contrary, the remedies provided in this ARTICLE IX shall be the exclusive monetary remedies of the Parties and their heirs, successors and assigns after the Closing with respect to a breach of, or inaccuracy in, any of the representations or warranties set forth in this Agreement, except for (i) actions for specific performance, injunctive relief or other equitable relief, and (ii) claims for intentional fraud or willful misconduct, in any which case the Parties shall have all rights and remedies available under any Law and available under this Agreement without regard to the Cap.

iv..Defense of Third Party Claims.

(1) In the event of the assertion or commencement by any Person, other than a party hereto, of any claim or Legal Action (whether against Buyer, Seller or any other Person) with respect to which the Seller Indemnitors or Buyer, as he case may be (each, an "Indemnitor"), may become obligated to hold harmless, indemnify, compensate or reimburse any Indemnitee pursuant to Section 9.2 or Section 9.3, as the case may be (a "Third Party Claim"), the Indemnitor shall have the right, at its election, to proceed with the defense of such Third Party Claim on its own with counsel reasonably satisfactory to the Indemnitee unless: (i) the Third Party Claim is in respect of any matter involving criminal liability of an Indemnitee; (ii) the Third Party Claims seeks Losses in excess of the amount for which the Indemnitor may be liable under this Agreement; or (iii) the Third Party Claim seeks as the primary cause of action the imposition of an equitable or injunctive remedy against the Indemnitee or any of its Affiliates (other than equitable relief that is ancillary to claim for monetary damages). If the Indemnitor so proceeds with the defense of any such Third Party Claim:

(a) the Indemnitee shall make available to the Indemnitor any documents and materials in his, her or its and in his, her or its Affiliates' possession or control that may be necessary to the defense of such Third Party Claim; provided, however, that any confidential or privileged materials shall not be disclosed by the Indemnitee other than as needed for such defense, and the Indemnitor agrees to enter into a commercially reasonable confidentiality and non-use agreement with the Indemnitee with respect to such information;

(b) the Indemnitee may retain separate co-counsel at its sole cost and expense and participate in the defense of such Third Party Claim; provided, however, that the Indemnitee will be entitled to participate in any such defense with separate co-counsel at the expense of the Indemnitor if based on the written opinion of counsel to the Indemnitee, a conflict between the Indemnitee and the Indemnitor exists that would make such separate representation advisable; provided further, however, that the Indemnitor shall not be required to pay for more than one (1) such counsel for all Indemnitees in connection with such Third Party Claim; and

(c) the Indemnitor may not settle, adjust or compromise such Third Party Claim without the consent of the Indemnitee (it being understood that if the Indemnitor requests that the Indemnitee consent to a settlement, adjustment or compromise, the Indemnitee

shall not unreasonably withhold or delay such consent); provided, however, that no such consent shall be required if: (A) there is no finding or admission of any violation of Law or suggestion of any wrongdoing on behalf of the Indemnitee; (B) each Indemnitee that is a party to such Third Party Claim is fully and unconditionally released from liability with respect to such claim, without prejudice; and (C) as a result of such settlement, adjustment or compromise, no injunctive or other equitable relief will be imposed against the Indemnitee.

(2) If the Indemnitor does not elect or is not entitled to proceed with the defense of any such Third Party Claim, the Indemnitee shall proceed with the defense of such Third Party Claim with counsel reasonably satisfactory to the Indemnitor; provided, however, that the Indemnitee may not settle, adjust or compromise any such Third Party Claim without the prior written consent of the Indemnitor (which consent may not be unreasonably withheld, conditioned or delayed). An Indemnitee shall give the applicable Indemnitor prompt notice of the commencement of any such Third Party Claim against the Indemnitee; provided, however, that any failure on the part of the Indemnitee to so notify the Indemnitor shall not limit any of the obligations of the Indemnitor under this Article IX (except to the extent such failure materially prejudices the defense of such Third Party Claim).

v..Indemnification Claim Procedures.

(1) If any Indemnitee has or claims in good faith to have incurred or suffered Losses for which it is or may be entitled to be held harmless, indemnified, compensated or reimbursed under this Article IX or for which it is entitled to a monetary remedy, such Indemnitee may deliver a written notice of claim (a "Notice of Claim") to the applicable Indemnitor (and, in the case the Notice of Claim is delivered by a Buyer Indemnitee, to the Escrow Agent, to the extent funds remain in the Indemnity Escrow Account). Each Notice of Claim shall: (i) state that such Indemnitee believes in good faith that such Indemnitee is or may be entitled to indemnification, compensation or reimbursement under this Article IX or is or may otherwise be entitled to a monetary remedy; (ii) contain a brief description of the facts and circumstances supporting the Indemnitee's claim; and (iii) contain a good faith, non-binding, preliminary estimate of the aggregate amount of the actual Losses that the Indemnitee believes have arisen as a result of such facts and circumstances (the aggregate amount of such estimate, as it may be modified by such Indemnitee in good faith from time to time, and at all times subject to the limitations set forth in this Article IX, being referred to as the "Claimed Amount").

(2) During the twenty (20)-day period commencing upon delivery by an Indemnitee to the applicable Indemnitor of a Notice of Claim (the "Claim Dispute Period"), the applicable Indemnitor may deliver to the Indemnitee who delivered the Notice of Claim (and, in the case the Notice of Claim was delivered by a Buyer Indemnitee, to the Escrow Agent, to the extent funds remain in the Indemnity Escrow Account) a written response (the "Response Notice") in which the Indemnitor: (i) agrees that the full Claimed Amount is owed to the Indemnitee; (ii) agrees that part, but not all, of the Claimed Amount (such agreed portion, the "Agreed Amount") is owed to the Indemnitee; or (iii) indicates that no part of the Claimed Amount is owed to the Indemnitee. If the Notice of Claim relates to a Third Party Claim, the Response Notice shall also specify whether or not the Indemnitor desires to assume control of the

defense of such Third Party Claim. If the Response Notice is delivered in accordance with clause (ii) or (iii) of the preceding sentence, the Response Notice shall also contain a brief description of the facts and circumstances supporting the Indemnitor's claim that only a portion or no part of the Claimed Amount is owed to the Indemnitee, as the case may be. Any part of the Claimed Amount that is not agreed to be owed to the Indemnitee pursuant to the Response Notice (or the entire Claimed Amount, if the Indemnitor asserts in the Response Notice that no part of the Claimed Amount is owed to the Indemnitee) is referred to in this Agreement as the "Contested Amount" (it being understood that the Contested Amount shall be modified from time to time to reflect any good faith modifications by the Indemnitee to the Claimed Amount).

(3) If the Indemnitor delivers a Response Notice agreeing that the full Claimed Amount is owed to the Indemnitee or fails to deliver a Response Notice prior to the end of the Claim Dispute Period, then within three (3) Business Days following the receipt of such Response Notice by the Indemnitee or, if no Response Notice is delivered before the end of the Claim Dispute Period, within three (3) Business Days following end of the Claim Dispute Period, the Indemnitor shall, subject to the limitations set forth in this Article IX, pay to the applicable Indemnitee an amount in cash equal to the full Claimed Amount (or, in the case the Notice of Claim was delivered by a Buyer Indemnitee and funds remain in the Indemnity Escrow Account, Seller and Buyer shall deliver joint written instructions to the Escrow Agent instructing the Escrow Agent to release to the applicable Buyer Indemnitee from the Indemnity Escrow Account an amount in cash equal to the full Claimed Amount (or such lesser amount as may remain in the Indemnity Escrow Account)); provided, however, that, if the Notice of Claim was delivered by a Buyer Indemnitee and the funds in the Indemnity Escrow Account are insufficient to cover the Claimed Amount, subject to the limitations set forth in this Article IX, the Seller Indemnitors shall promptly pay to the applicable Buyer Indemnitee the amount by which the Claimed Amount exceeds the remaining funds in the Indemnity Escrow Account.

(4) If the Indemnitor delivers a Response Notice during the Claim Dispute Period agreeing that less than the full Claimed Amount is owed to the Indemnitee, then within three (3) Business Days following the receipt of such Response Notice, the Indemnitor shall, subject to the limitations set forth in this Article IX, pay to the applicable Indemnitee an amount in cash equal to the Agreed Amount (or, in the case the Notice of Claim was delivered by a Buyer Indemnitee and funds remain in the Indemnity Escrow Account, Seller and Buyer shall deliver joint written instructions to the Escrow Agent instructing the Escrow Agent to release to the applicable Buyer Indemnitee from the Indemnity Escrow Account an amount in cash equal to the Agreed Amount (or such lesser amount as may remain in the Indemnity Escrow Account)); provided, however, that, if the Notice of Claim was delivered by a Buyer Indemnitee and the funds in the Indemnity Escrow Account are insufficient to cover the Agreed Amount, subject to the limitations set forth in this Article IX, the Seller Indemnitors shall promptly pay to the applicable Buyer Indemnitee the amount by which the Agreed Amount exceeds the remaining funds in the Indemnity Escrow Account.

(5) If the Indemnitor delivers a Response Notice during the Claim Dispute Period indicating that there is a Contested Amount, the Indemnitor and the Indemnitee shall attempt in good faith to resolve the dispute related to the Contested Amount. If the Indemnitee

and the Indemnitor resolve such dispute, a settlement agreement stipulating the amount owed to the Indemnitee (the "Stipulated Amount") shall be signed by the Indemnitee and the Indemnitor. Within three (3) Business Days following the execution of such settlement agreement (or such shorter period of time as may be set forth in the settlement agreement), the Indemnitor shall, subject to the limitations set forth in this ARTICLE IX, pay to the applicable Indemnitee an amount in cash equal to the Stipulated Amount (or, in the case the Notice of Claim was delivered by a Buyer Indemnitee and funds remain in the Indemnity Escrow Account, Seller and Buyer shall deliver joint written instructions to the Escrow Agent instructing the Escrow Agent to release to the applicable Buyer Indemnitee from the Indemnity Escrow Account an amount in cash equal to the Stipulated Amount (or such lesser amount as may remain in the Indemnity Escrow Account)); provided, however, that, if the Notice of Claim was delivered by a Buyer Indemnitee and the funds in the Indemnity Escrow Account are insufficient to cover the Stipulated Amount, subject to the limitations set forth in this Article IX, the Seller Indemnitors shall promptly pay to the applicable Buyer Indemnitee the amount by which the Stipulated Amount exceeds the remaining funds in the Indemnity Escrow Account.

(6) In the event that there is a dispute relating to any Notice of Claim or any Contested Amount (whether it is a matter between any Indemnitee, on the one hand, and the applicable Indemnitor, on the other hand, or it is a matter that is subject to a Third Party Claim brought against any Indemnitee), that remains unresolved after application of the terms of this Section 9.5, such dispute shall be settled in accordance with Section 12.10.

vi..Indemnity Escrow Amount Release.

(1) If the funds remaining in the Indemnity Escrow Account, including any interest accrued or income otherwise earned thereon, as of the Expiration Date (the "Indemnity Escrow Balance") exceed the aggregate dollar amount, as of the Expiration Date, of Claimed Amounts and Contested Amounts associated with all indemnification claims contained in any Notice of Claim delivered by a Buyer Indemnitee that have not been finally resolved and paid prior to the Expiration Date in accordance with Section 9.5 (each, an "Unresolved Indemnity Escrow Claim" and the aggregate dollar amount of such Claimed Amounts and Contested Amounts as of the Expiration Date being referred to as the "Pending Claim Amount"), then Buyer and Seller shall, within three (3) Business Days following the Expiration Date, deliver joint written instructions to the Escrow Agent instructing the Escrow Agent to release from the Indemnity Escrow Account an amount equal to the Indemnity Escrow Balance *minus* the Pending Claim Amount to Seller.

(2) Following the Expiration Date, if an Unresolved Indemnity Escrow Claim is finally resolved, Buyer and Seller shall, within three (3) Business Days after the final resolution of such Unresolved Indemnity Escrow Claim, deliver joint written instructions to the Escrow Agent instructing the Escrow Agent to release from the Indemnity Escrow Account: (i) to the applicable Buyer Indemnitee an amount determined in accordance with Section 9.5, and (ii) to Seller an amount equal to the amount (if any) by which the amount of funds remaining in the Indemnity Escrow Account, including any interest accrued or income otherwise earned

thereon, as of the date of resolution of such Unresolved Indemnity Escrow Claim exceeds the aggregate amount of the remaining Pending Claim Amount.

vii..Purchase Price Adjustment. All amounts paid under this ARTICLE IX shall, to the extent permitted by Law, be treated as an adjustment to the consideration being paid for the Shares.

Article X.

TAX MATTERS

i..Tax Covenants.

(1) Without the prior written consent of Buyer, each Seller Party (and, prior to the Closing, the Company, its Affiliates and their respective Representatives) shall not, to the extent it may affect, or relate to, the Company, make, change or rescind any Tax election, amend any Tax Return or take any position on any Tax Return, take any action, omit to take any action or enter into any other transaction that would have the effect of increasing the Tax liability or reducing any Tax asset of Buyer or the Company in respect of any Post-Closing Tax Period. Each Seller Party agrees that Buyer is to have no liability for any Tax resulting from any action of any Seller Party, any of their respective Affiliates or any of their respective Representatives, and agrees to indemnify and hold harmless Buyer (and, after the Closing Date, the Company and each of its Subsidiaries) against any such Tax or reduction of any Tax asset. To the extent permitted under applicable law, each of the Parent, the Seller, the Company and each of its Subsidiaries and the Buyer shall close or terminate (or cause to be closed or terminated), as of the close of business on the Closing Date, each Tax period relating to each of the Company and each of its Subsidiaries.

(2) To the extent not filed prior hereto, the Parent and the Seller shall prepare or cause to be prepared, in accordance with applicable law and consistent with past practice, each Standalone Tax Return for any Pre-Closing Tax Period (other than a Pre-Closing Tax Period that is part of a Straddle Period) and any other Company Tax Return for any Pre-Closing Tax Period. In the event a Section 338(h)(10) Election is made, all such Tax Returns shall be prepared in accordance with the Allocation Schedule to the extent applicable. At least thirty (30) days prior to the date on which a Standalone Tax Return for such a Pre-Closing Tax Period is due (after taking into account any valid extension), the Parent and the Seller shall deliver such Standalone Tax Return to the Buyer. No later than five (5) days prior to the date on which a Standalone Tax Return for a Pre-Closing Tax Period is due (after taking into account any valid extension), the Buyer may request reasonable changes and revisions be made to such Standalone Tax Return. The Parent and the Seller shall cooperate fully in making any reasonable changes and revisions to any Standalone Tax Return for a Pre-Closing Tax Period. At least three (3) days prior to the date on which a Standalone Tax Return (as reasonably revised based on requests by the Buyer) for a Pre-Closing Tax Period is due (after taking into account any valid extension), the Parent and the Seller shall pay to the Buyer an amount equal to any Tax due with respect to such Standalone Tax Return or the Pre-Closing Tax Period (other than any such Tax taken into account under any working capital, similar adjustment or indemnification), and the Buyer shall file such Standalone Tax Return.

(3) Except for any Tax Return to which Section 10.1(b) applies, the Buyer shall prepare and file each Company Tax Return for any Post-Closing Tax Period or any Straddle Period in accordance with applicable law. At least thirty (30) days prior to the date on which a Company Tax Return for a Straddle Period is due (after taking into account any valid extension), the Buyer shall deliver such Company Tax Return to the Parent and the Seller. No later than five (5) days prior to the date on which a Company Tax Return for any Straddle Period is due (after taking into account any valid extension), each of the Parent and the Seller may make reasonable changes and revisions to such Company Tax Return. The Buyer shall cooperate fully in making any reasonable changes and revisions to any Company Tax Return for any Straddle Period. At least three (3) days prior to the date on which such Company Tax Return for a Straddle Period is due (after taking into account any valid extension), the Parent and the Seller shall pay to the Buyer an amount equal to the Tax on such Company Tax Return to the extent such Tax relates, as determined under Section 10.1(d), to the portion of such Straddle Period ending on and including the Closing Date.

(4) In the case of a Tax payable for a Straddle Period, the portion of such Tax of the Company that relates to the portion of the Straddle Period ending on the Closing Date shall (i) in the case of a Tax (other than a Tax based upon or related to income, employment, sales or other transactions, franchise or receipts) be deemed to be the amount of such Tax for the entire Straddle Period multiplied by a fraction the numerator of which is the number of days in the portion ending on the Closing Date of the Straddle Period and the denominator of which is the number of all of the days in the Straddle Period; and (ii) in the case of a Tax based upon or related to income, employment, sales or other transactions, franchise or receipts, be deemed equal to the amount which would be payable if the Straddle Period ended on the Closing Date and such Tax was based on an interim closing of the books as of the close of business on the Closing Date.

(5) Each party shall promptly forward to the other a copy of all written communications from any Governmental Entity relating to any Tax or Company Tax Return for a Pre-Closing Tax Period or Straddle Period. Upon reasonable request, the Buyer, the Parent and the Seller shall each make available to the other all information, records or other documents relating to any Tax or any Company Tax Return for a Pre-Closing Tax Period or Straddle Period. The Buyer, the Parent and the Seller shall preserve all information, records or other documents relating to a Tax or a Company Tax Return for a Pre-Closing Tax Period or Straddle Period, until the date that is six (6) months after the expiration of the statute of limitations applicable to the Tax or the Company Tax Return. Prior to transferring, destroying or discarding any information, records or documents relating to any Tax or any Company Tax Return for a Pre-Closing Tax Period or Straddle Period, the Parent or the Seller shall give to the Buyer a reasonable written notice and, to the extent the Buyer so requests, the Parent or the Seller shall permit the Buyer to take possession of all such information, records and documents. In addition, the Buyer and each of the Parent and the Seller shall cooperate with each other in connection with all matters relating to the preparation of any Company Tax Return or the payment of any Tax and in connection with any proceeding relating to any Tax or Company Tax Return, including but not limited to, access to information regarding the Company or any of its Subsidiaries for the purpose of preparing any Company Tax Return of which the Parent or any of its Subsidiaries is the common parent.

Nothing in this Section 10.1(e) shall affect or limit any indemnity or similar provision or any other representations, warranties or obligations of the Company, the Parent or the Seller. Each party shall bear its own costs and expenses in complying with the provisions of this Section 10.1.

(6) The Parent and the Seller shall be entitled to any refunds (including any interest paid thereon) or credits for Taxes attributable to taxable periods ending on or before the Closing Date.

(7) Notwithstanding anything to the contrary in this Agreement, all transfer, documentary, sales, use, stamp, registration, value added and other such Taxes and fees (including any penalties and interest) incurred in connection with the transactions contemplated by this Agreement (including any real property transfer Tax and any other similar Tax, collectively, "Transfer Taxes") shall be borne and paid by Seller when due, regardless of the Person liable for such obligations under applicable Law or the Person making payment to the Governmental Entity or other third party. Seller shall, at its own expense, timely file any Tax Return or other document with respect to such Taxes or fees (and Buyer shall cooperate with respect thereto as necessary).

(8) At Seller's option, Seller may make an election under Treasury Regulation Section 1.1502-36(d)(6) and any other similar election under state or local law. If Seller makes the election under Treasury Regulation Section 1.11502-36(d)(6), Buyer shall cooperate with Seller in making such election.

ii..Termination of Existing Tax Sharing Agreements. Notwithstanding anything to the contrary in this Agreement, all liabilities, obligations and other rights between any member of the Parent Consolidated Group, on the one hand, and the Company and any of its Subsidiaries, on the other hand, under any Tax sharing or Tax indemnity agreement in effect prior to the Closing Date (other than this Agreement) shall cease and terminate as of the Closing Date as to all past, present and future taxable periods.

iii..Allocation of Taxes for Straddle Period.

(1) All Taxes and Tax liabilities that relate to a Straddle Period shall be allocated to the Pre-Closing Tax Period as follows:

(a) In the case of Taxes (A) based upon, or measured by reference to, income, receipts, profits, wages, capital or net worth, (B) imposed in connection with the sale, transfer or assignment of property, or (C) required to be withheld, such Taxes shall be deemed equal to the amount which would be payable if the taxable year ended with the Closing Date; and

(b) In the case of other Taxes, such Taxes shall be deemed equal to the amount of such Taxes for the entire period multiplied by a fraction, the numerator of which is the number of days in the period ending on the Closing Date and the denominator of which is the number of days in the entire period.

(2) The remainder of the Taxes for the Straddle Period shall be allocated to the Post-Closing Tax Period.

iv..Cooperation and Exchange of Information. Seller, Parent and Buyer shall provide each other with such cooperation and information as either of them reasonably may request of the other in filing any Tax Return pursuant to this ARTICLE X or in connection with any audit or proceeding in respect of Taxes of the Company. Such cooperation and information shall include providing copies of relevant Tax Returns or portions thereof, together with accompanying schedules, related work papers and documents relating to ruling or other determinations by tax authorities. Each of Seller, Parent and Buyer shall retain all Tax Returns, schedules and work papers, records and other documents in its possession relating to Tax matters of the Company for any taxable period beginning before the Closing Date until the expiration of the statute of limitations of the taxable periods to which such Tax Returns and other documents relate, without regard to extensions except to the extent notified by the other party in writing of such extensions for the respective Tax periods. Prior to transferring, destroying or discarding any Tax Returns, schedules and work papers, records and other documents in its possession relating to Tax matters of the Company and its Subsidiaries for any taxable period beginning before the Closing Date, Seller or Buyer (as the case may be) shall provide the other party with reasonable written notice and offer the other party the opportunity to take custody of such materials.

v..Tax Refunds. Any Tax refund, credit or similar benefit (including any interest paid or credited with respect thereto) (a "Tax Refund") relating to the Company or any of its Subsidiaries for Taxes paid for any Pre-Closing Tax Period shall be the property of Seller except to the extent such Tax Refund was taken into account in calculating the Post-Closing Adjustment.

vi..Tax Treatment of Indemnification Payments. Any indemnification payments pursuant to this ARTICLE X shall be treated as an adjustment to the consideration paid for the Shares by the parties for Tax purposes, unless otherwise required by Law.

vii..Payments to Buyer. Any amounts payable to Buyer pursuant to this ARTICLE X (other than amounts described in Section 10.1(b) and Section 10.1(c), which shall be paid directly by Seller or Parent to Buyer) shall be satisfied by Parent by wire transfer of immediately available funds to Buyer.

viii..Survival. Notwithstanding anything in this Agreement to the contrary, the provisions of Section 4.21 and this ARTICLE X shall survive for the full period of all applicable statutes of limitations (giving effect to any waiver, mitigation or extension thereof) plus 60 days.

ix..Overlap. To the extent that any obligation or responsibility pursuant to ARTICLE IX may overlap with an obligation or responsibility pursuant to this ARTICLE X, the provisions of this ARTICLE X shall govern.

x..Section 338(h)(10) Election.

(1) At the request of Buyer, Seller, Parent and Buyer shall jointly make, and shall take any and all actions necessary to effect, an election under Section 338(h)(10) of the Code (and any corresponding election under state, local, and foreign Law) with respect to the purchase and sale of the Shares of the Company hereunder (collectively, a "Section 338(h)(10) Election"). If Buyer requests a Section 338(h)(10) Election, Seller, Parent and Buyer shall, within ten (10) days prior to the date such forms are required to be filed under applicable Law, exchange completed and executed copies of IRS Forms 8023 and 8883, required schedules thereto, and any similar state, local or foreign forms. The completed and executed IRS Form 8883 shall reflect the Allocation Schedule agreed to by Seller and Buyer pursuant to Section 10.10(b). If a Section 338(h)(10) Election is made, Seller, Parent and Buyer shall report the purchase and sale of the Shares consistent with the treatment of the purchase of the Shares as a "qualified stock purchase" and consistent with the Section 338(h)(10) Election and shall take no position inconsistent therewith in any Tax Return, any proceeding before any Taxing Authority or otherwise.

(2) If a Section 338(h)(10) Election is made, Seller, Parent and Buyer agree that the Purchase Price and all liabilities of the Company and any other relevant items (the "Section 338(h)(10) Consideration") shall be allocated among the assets of the Company for all purposes (including Tax and financial reporting) as shown on the allocation schedule (the "Allocation Schedule"). A draft of the Allocation Schedule shall be prepared by Buyer and delivered to Seller with Buyer's request to make a Section 338(h)(10) Election. If Seller notifies Buyer in writing that Seller objects to one or more items reflected in the Allocation Schedule, Seller and Buyer shall negotiate in good faith to resolve such dispute; provided, however, that if Seller and Buyer are unable to resolve any dispute with respect to the Allocation Schedule within thirty (30) days following Buyer's notice, such dispute shall be resolved by the Accounting Arbitrator selected in the manner set forth in Section 2.2(c). The fees and expenses of the Accounting Arbitrator shall be borne equally by Seller and Buyer. Buyer, the Company, Parent and Seller shall file all Tax Returns (including amended returns and claims for refund) and information reports in a manner consistent with the Allocation Schedule. Any adjustments to the Net Initial Purchase Price pursuant to Section 2.2 or herein shall be allocated in a manner consistent with the Allocation Schedule.

xi..Tax Attributes.

(1) If no Section 338(h)(10) Election is made and any of the Shares are "loss shares" for purposes of Treasury Regulations Section 1.1502-36 after taking into account the effects of all applicable Law, then Seller shall make an election pursuant to Treasury Regulations Section 1.1502-36(d)(6)(i)(A) and Section 1.1502-36(e)(5).

(2) If no Section 338(h)(10) Election is made and it is determined that Seller has undergone an ownership change (within the meaning of Section 382 of the Code) during the period in which it owned the Company, Seller shall file a timely election under Treasury Regulations Section 1.1502-95(f) to apportion to the Company its allocable share of "consolidated section 382 limitation" and the "loss group's net unrealized built-in gain," as provided therein, and shall not file an election under Treasury Regulations Section

1.1502-96(d)(5). At Seller's request, Buyer will cause the Company to join with Seller in making any election required under Treasury Regulations Section 1.1502-95(f), and Seller and the Company and any other Person required by Treasury Regulations Section 1.1502-95(f) shall enter into the agreement required by Treasury Regulations Section 1.1502-95(f)(1)(ii).

Article XI.

DEFINITIONS; CONSTRUCTION

i..Definitions. For the purposes of this Agreement:

"2020 Company Balance Sheet" is defined in Section 4.7.

"Accounting Arbitrator" means Grant Thornton LLP.

"Acquisition" is defined in the Recitals.

"Acquisition Date" means January 1, 2016.

"Affiliate" means, with respect to the Person to which it refers, a Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with, such Person. For the purpose of this definition, the term "control" of a Person means the power to direct, or cause the direction of, the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, and the terms and phrases "controlling," "controlled by" and "under common control" have correlative meanings.

"Agreement" is defined in the Preamble.

"Agreed Amount" is defined in Section 9.5(b).

"Allocation Schedule" is defined in Section 10.10(b).

"Alternative Financing" is defined in Section 6.5(b).

"Balance Sheet Date" is defined in Section 4.9.

"Business Day" means any day of the year on which national banking institutions in the State of New York are open to the public for conducting business and are not required to close.

"Buyer" is defined in the Preamble.

"Buyer Entities" is defined in Section 12.15.

"Buyer Indemnified Parties" is defined in Section 9.2(a).

"Buyer Related Parties" is defined in Section 8.2.

"Cap" is defined in Section 9.3(a).

"CARES Act" means the federal Coronavirus Aid, Relief, and Economic Security Act, as amended, and the rules and regulations promulgated thereunder.

"CARES Allowable Uses" means "allowable uses" of proceeds of an SBA PPP Loan as provided in Section 1102 of the CARES Act.

"CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

"Certificates" means, collectively, the certificates evidencing all the Shares.

"Closing" is defined in Section 1.2.

"Closing Cash" means consolidated cash and cash equivalents of the Company as of the close of business on the Closing Date (without giving effect to any increases or decreases in cash and cash equivalents in connection with the Closing), reconciled on a GAAP basis for all outstanding deposits, checks or other increases and decreases to cash and cash equivalents.

"Closing Date" is defined in Section 1.2.

"Closing Net Working Capital" means (i) the sum of the accounts receivable, inventory, prepaid expenses and other current assets *minus* (ii) the sum of the accounts payable, deferred revenue and other current liabilities, in each case of the Company and its Subsidiaries as of the Closing Date, all as determined on a consolidated basis in accordance with GAAP in the manner applied by the Company in preparing the Company Financial Statements. For the avoidance of doubt, the following items shall be excluded from the calculation of Closing Net Working Capital (a) cash and cash equivalents, (b) all Income Tax assets and liabilities, whether current, deferred or otherwise, and (c) Debt.

"Closing Statement" is defined in Section 2.2(b).

"COBRA" is defined in Section 6.9.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Company" is defined in the Preamble.

"Company Employee Plan" means any plan, program, policy, practice, contract, agreement or other arrangement (written or oral) providing for deferred compensation, profit sharing, incentive compensation, bonus, severance, change-of-control payments, termination pay, performance awards, stock option, share appreciation right or other stock-related awards, fringe benefits, supplemental unemployment benefits, group or individual health, dental, medical, life insurance, survivor benefit or other welfare, pension or other employee benefits or remuneration of any kind, whether formal or informal, funded or unfunded, including each "employee benefit plan" within the meaning of Section 3(3) of ERISA, whether or not subject to ERISA, which is or has been sponsored, maintained, contributed to, or required to be contributed to, by the Company or any of its Subsidiaries or ERISA Affiliates for the benefit of any

Employee, director or consultant of the Company, or pursuant to which the Company or any of its Subsidiaries has or may have any liability, contingent or otherwise.

"Company Financial Statements" is defined in Section 4.7(a).

"Company Intellectual Property" means any and all Intellectual Property that is (i) used by the Company or its Subsidiaries in their businesses as currently conducted or (ii) incorporated in, forming any part of or used to provide any of the Company or its Subsidiaries' services, including all Company Software.

"Company Material Adverse Effect" means a material adverse effect on the business, assets, properties, liabilities, operations or financial condition of the Company and its Subsidiaries, taken as a whole; provided, however, that none of the following will be deemed, either alone or in combination, to constitute, and none of the following will be taken into account in determining whether there has been or will be, a Company Material Adverse Effect: (i) events, changes, developments or circumstances relating to the industries or the markets in which the Company and its Subsidiaries operate, including changes resulting from weather or natural conditions, or changes in Law or the interpretation or enforcement thereof, (ii) events, changes, developments, conditions or circumstances that effect the United States economy generally, (iii) an outbreak or escalation of war, armed hostilities, acts of terrorism, political instability or other national or international calamity, crisis or emergency, any pandemic or public health emergency (including the COVID-19 pandemic) or the taking of any COVID Action, or any governmental or other response to any of the foregoing, in each case, whether occurring within or outside the United States, (iv) changes in Law or GAAP, (v) any action or omission of the Company or any of its Subsidiaries prior to the Closing Date contemplated by this Agreement or taken with the prior written consent of Buyer, as long as, in the case of the foregoing clauses (i) through (v), such change, circumstance, event or effect has not had, or would not reasonably be expected to have, a materially disproportionate adverse impact on the Company and its Subsidiaries, taken as a whole, relative to other Persons operating in the industry sector or sectors in which the Company and its Subsidiaries operate.

"Company Material Contract" is defined in Section 4.13(b).

"Company Software" means any and all Software that is (i) used or currently being developed for use by the Company or its Subsidiaries in the operation of their respective businesses as currently conducted, in each case, without giving effect to the consummation of the transactions contemplated by this Agreement; or (ii) incorporated in, forming any part of or used to provide any of the Company or its Subsidiaries' services.

"Company's Knowledge" (including any derivation thereof such as "known" or "knowing") means the actual knowledge of any of Matthew G. Molchan and David J. Noble, after due inquiry. For purposes of this definition, "due inquiry" means (i) reasonable review of files and other information that is or has been in the possession or is within the control of either Matthew G. Molchan or David J. Noble and (ii) reasonable inquiry of employees of Parent, Seller or the Company who have primary responsibilities pertinent to such inquiry and access to

information in the possession of Parent, Seller or the Company, as the case may be, responsive thereto.

"Company Tax Return" means any return, election, declaration, report, schedule, information return, document, information, opinion, statement, or any amendment to any of the foregoing (including, without limitation, any consolidated, combined or unitary return) filed or required to be filed with any Governmental Entity, if, in any manner or to any extent, relating to or inclusive of the Company, any Subsidiary or any Tax.

"Confidentiality Agreement" means that certain Mutual Non-Disclosure Agreement, dated June 14, 2019, between Parent and Diagnostic Imaging Rental Services, LLC.

"Consents" means approvals, consents (including negative consents), waivers, filings, authorizations, licenses, permits, notices, reports or similar items.

"Constitutional Documents" means, as to any Person, the constitutional or organizational documents of such Person, including any charter, certificate or articles of incorporation, certificate of formation, articles of association, bylaws, trust instrument, partnership agreement, limited liability company or operating agreement or similar document.

"Contested Amount" is defined in Section 9.5(b).

"Contract" means any written or oral agreement, contract, mortgage, indenture, lease (including Personal Property Leases), license, instrument, document, obligation or commitment that is legally binding, including all amendments, modifications and supplements thereto; provided, however that the term Contract does not include purchase orders entered into in the Ordinary Course of Business.

"COVID Action" means any commercially reasonable actions that Parent, Seller or the Company reasonably determine are necessary or prudent for Parent, Seller, the Company or any of their Subsidiaries to take in connection with (i) events surrounding any pandemic or public health emergency caused by COVID-19, (ii) limiting, ceasing or reinitiating operations, (iii) mitigating the adverse effects such events, pandemic or public health emergency on the business of Parent, Seller, the Company or any of their Subsidiaries, and (iv) protecting the health and safety of customers, employees and other business relationships, or to ensure compliance with any Law or the recommendations or restrictions imposed by the Centers for Disease Control and Prevention or any other governmental or quasi-governmental authorities having jurisdiction over Parent, Seller, the Company or any of their Subsidiaries or their properties.

"Data Room" means the electronic data room established by the Company in connection with the transactions contemplated by this Agreement.

"Debt" means, without duplication, (i) any indebtedness of the Company or any of its Subsidiaries for borrowed money and accrued but unpaid interest, premiums and penalties relating thereto, (ii) any indebtedness of the Company or any of its Subsidiaries evidenced by a note, bond, debenture or other similar security, (iii) all obligations under leases to which the

Company or any of its Subsidiaries are a party and which are required to be recorded as capitalized/financing leases under GAAP other than obligations arising after the closing under leases relating to all automobiles and the PET, CT, MRI and Mammography Units set forth on Section 4.10 of the Disclosure Letter, and (iv) any indebtedness or obligations referred to in the foregoing clauses (i), (ii) and (iii) of any Person which is either guaranteed by, or secured by a Lien upon any property or asset owned by, the Company or any of its Subsidiaries.

"Disclosure Letter" is defined in the preamble to ARTICLE III.

"Employee" means any current, former, or retired employee of the Company or any of its Subsidiaries.

"Environmental Law" means any and all Laws and Permits issued, promulgated or entered into by any Governmental Entity relating to the environment, the protection or preservation of human health or safety, including the health and safety of employees, the preservation or reclamation of natural resources, or the treatment, storage, disposal, management, Release or threatened Release of Hazardous Materials, in each case as in effect on the date hereof and as may be issued, promulgated or amended from time to time, including without limitation, the following (including their implementing regulations and any state analogs): the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§ 9601 et seq.; the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. §§ 6901 et seq.; the Federal Water Pollution Control Act of 1972, as amended by the Clean Water Act of 1977, 33 U.S.C. §§ 1251 et seq.; the Toxic Substances Control Act of 1976, as amended, 15 U.S.C. §§ 2601 et seq.; the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. §§ 11001 et seq.; the Clean Air Act of 1966, as amended by the Clean Air Act Amendments of 1990, 42 U.S.C. §§ 7401 et seq.; and the Occupational Safety and Health Act of 1970, as amended, 29 U.S.C. §§ 651 et seq.

"Equity Interest" means, with respect to any Person, any outstanding shares of Equity Securities, subscriptions, options, calls, warrants or other rights to acquire Equity Securities, whether or not currently exercisable.

"Equity Securities" means, with respect to any Person, any of its capital stock, partnership interests (general or limited), limited liability company interests, trust interests or other securities which entitle the holder thereof to participate in the earnings of such Person or to receive dividends or distributions on liquidation, winding up or dissolution of such Person, or to vote for the election of directors or other management of such Person, or to exercise other rights generally afforded to stockholders of a corporation.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" is defined in Section 4.20(c).

"Escrow Agent" means First Horizon Bank.

"Escrow Agreement" is defined in Section 2.3(a).

"Estimated Closing Cash" is defined in Section 2.2(a).

"Estimated Closing Net Working Capital" is defined in Section 2.2(a).

"Existing Surveys" is defined in Section 4.11(k).

"Existing Title Documents" is defined in Section 4.11(k).

"Expiration Date" is defined in Section 9.1(a).

"Federal Healthcare Program" is defined in Section 4.15(b).

"Financing Commitment" is defined in Section 5.6.

"Fundamental Representations" means the Seller Fundamental Representations and the Buyer Fundamental Representations.

"GAAP" means generally accepted accounting principles effective in the United States as in effect on the date of this Agreement.

"General Representations" is defined in Section 9.1(a).

"Governmental Entity" means any court, administrative agency, department, commission, board, bureau, or other federal, state, county, local or foreign governmental entity, instrumentality, agency or commission.

"Hazardous Material" means those materials, substances, biogenic materials, contaminants, pollutants or wastes (solid, liquid and medical) that are regulated by, or form the basis of liability under, any Environmental Law, including without limitation polychlorinated biphenyls, pollutants, solid wastes, explosive, pesticides, mold, metals (whether naturally occurring) radioactive, or regulated materials or substances, hazardous or toxic materials, substances, wastes or chemicals, petroleum (including crude oil or any fraction thereof) or petroleum distillates, asbestos or asbestos containing materials, materials listed in 49 C.F.R. Section 172.101, and materials defined as hazardous substances pursuant to Section 101(14) of CERCLA, but excluding supplies for cleaning, maintenance and operations in commercially reasonable amounts required for use in the ordinary course of business, provided such items are incidental to the use of the Premises and are stored and used in compliance with applicable Environmental Laws.

"Health Care Law" means an applicable Law regarding the following, in each case to the extent applicable to the Company or any of its Subsidiaries: treatment of and services for patients; billing and reimbursement for such treatment and services; and patient confidentiality, including the laws listed in Section 4.15(e).

"Income Taxes" means all income, franchise or other Taxes measured directly or indirectly by gross or net income or that directly or indirectly uses gross or net income as one or more alternative bases for determining the amount of Tax due.

"Indemnity Escrow Account" means the indemnity escrow account established by the Escrow Agent pursuant to the Escrow Agreement.

"Indemnity Escrow Amount" means an amount in cash equal to Seven Hundred Fifty Thousand Dollars ($750,000), such amount to be deposited at the Closing in the Indemnity Escrow Account with the Escrow Agent pursuant to the terms and conditions of the Escrow Agreement, including any interest accrued or income otherwise earned thereon.

"Indemnitee" means the Buyer Indemnified Parties or the Seller Indemnified Parties, as applicable.

"Intellectual Property" means any and all patents and patent applications; trademarks, service marks, trade names, brand names, trade dress, slogans, logos and Internet domain names and uniform resource locators, and the goodwill associated with any of the foregoing; inventions (whether patentable or not), industrial designs, discoveries, improvements, ideas, designs, models, formulae, patterns, compilations, data collections, drawings, blueprints, mask works, devices, methods, techniques, processes, know-how, proprietary information, customer lists, software, technical information and trade secrets; copyrights, copyrightable works, and rights in databases and data collections; other intellectual or industrial property rights and foreign equivalent or counterpart rights and forms of protection of a similar or analogous nature to any of the foregoing or having similar effect in any jurisdiction throughout the world; and registrations and applications for registration of any of the foregoing, including any renewals, extensions, continuations (in whole or in part), divisionals, re-examinations or reissues or equivalent or counterpart thereof; and all documentation and embodiments of the foregoing.

"IRS" means the Internal Revenue Service.

"Judgment" means, with respect to any Person, any order, injunction, judgment, stipulation, award, decision, decree, verdict, ruling or other similar requirement enacted, adopted, entered, issued, made, rendered, promulgated or applied by a Governmental Entity or arbitrator that is binding upon or applicable to such Person.

"Law" means any federal, state, foreign or local law, statute, ordinance, rule, order, regulation, writ, injunction, directive, order, judgment, treaty, decree or administrative or judicial decision.

"Leased Real Property" is defined in Section 4.11(a).

"Legal Action" means any action, claim, suit, proceeding, lawsuit, arbitration, notice of violation, litigation, citation or known investigation, in each case of any nature, civil, criminal, administrative, regulatory or otherwise, in Law or in equity, by or before any court, tribunal, arbitrator or other Governmental Entity.

"Lien" means any lien, pledge, mortgage, deed of trust, security interest, claim, proxy, voting trust or agreement, transfer restriction under any stockholder or similar agreement, or encumbrance of any nature whatsoever, and, with respect to the Owned Real Property, any encroachment whatsoever.

"Losses" shall mean, without duplication for purposes of recovery, losses, liabilities, damages, interest, penalties, costs and expenses, including reasonable attorneys' fees and expenses, and expenses of investigation and defense; provided, however, that "Losses" shall not include any special or punitive damages awarded with respect to any claim or any indirect, consequential or incidental losses or damages related to any claim, including any diminution in value, any lost profits or opportunities and any losses or damages based on any multiple of actual, direct losses or damages.

"Material Customer" is defined in Section 4.26.

"Material Lease" shall mean any Real Property Lease providing for a base monthly rent in excess of $1,500.

"Material Supplier" is defined in Section 4.26.

"Net Initial Purchase Price" means an amount equal to (i) Eighteen Million Seven Hundred Fifty Thousand Dollars ($18,750,000), *minus* (ii) any Transaction Expenses to be paid by the Company or any of its Subsidiaries at or following the Closing, *minus* (iii) the aggregate amount of Debt (other than any SBA PPP Loans that remain outstanding with respect to which no final forgiveness determination has been made by the SBA) as of the Closing Date, *plus* (iv) the amount of Estimated Closing Cash, and *minus*, if applicable, (v) the amount, if any, by which the Estimated Closing Net Working Capital is less than the Target Closing Net Working Capital or *plus*, if applicable, (vi) the amount, if any, by which the Estimated Closing Net Working Capital is greater than the Target Closing Net Working Capital, and *minus* (vii) the SBA PPP Loan Escrow Amount, if any.

"Notice of Claim" is defined in Section 9.5(a).

"Olshan" means Olshan Frome Wolosky LLP.

"Outside Date" is defined in Section 8.1(b).

"Owned Real Property" is defined in Section 4.11(a).

"Ordinary Course of Business" or "in the Ordinary Course" means in accordance with the usage of trade prevailing in the industry in which the Business operates and in accordance with the Company's and its Subsidiaries historical and customary day-to-day practices with respect to the activity in question or any COVID Action.

"Parent" is defined in the Preamble.

"Parent Consolidated Group" means the consolidated group of affiliated corporations of which Parent is the common parent.

"Parties" means Buyer, the Company, Parent and Seller, and "Party" means any of the Parties.

"Payoff Letters" is defined in Section 7.2(i).

"Pending Claim Amount" is defined in Section 9.6(a).

"Permits" means all licenses, permits, certificates, variances, exemptions, franchises and other approvals or authorizations issued, granted, given, required or otherwise made available by any Governmental Entity.

"Permitted Liens" means Liens for (i) Taxes, if such Taxes are not yet due and payable or the Person is contesting them in good faith and has established adequate reserves for them; and (ii) unrecorded workmen's, repairmen's or other similar Liens incurred in the Ordinary Course of Business in respect of obligations which are not overdue, (iii) minor title defects, minor encroachments and recorded covenants, conditions, easements or restrictions which do not, individually or in the aggregate, impair in any material respect the continued use, occupancy, value or marketability of title of the property to which they relate, assuming that the property is used on substantially the same basis as such property is currently being used by the Company and its Subsidiaries, (iv) pledges or deposits made in the Ordinary Course of Business in connection with worker's compensation, unemployment insurance or other programs required by applicable Law, (v) any Lien against or affecting leased property which is not a material violation of the lease for such property or is not created by or otherwise arising as a result of actions of the Company or any of its Subsidiaries, and (vi) the matters set forth on Section 4.11(a)(i) of the Disclosure Letter.

"Person" means any individual, corporation, partnership, limited liability company, firm, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Entity or other entity.

"Personal Property Lease" is defined in Section 4.13(a)(iv).

"Post-Closing Adjustment" is defined in Section 2.2(e).

"Post-Closing Tax Period" means (i) any taxable period ending after the Closing Date, and (ii) the portion of any Straddle Period ending after the Closing Date.

"Pre-Closing Tax Period" means (i) any taxable period ending on or before the Closing Date, and (ii) the portion of any Straddle Period ending on the Closing Date.

"Real Property" is defined in Section 4.11(a).

"Real Property Lease" and "Real Property Leases" are defined in Section 4.11(a).

"Registered Intellectual Property" means all patents, registered copyrights, registered trademarks and servicemarks, and Internet domain name registrations, and all applications for registration of any of the foregoing, including any renewals, extensions, continuations (in whole or in part), divisionals, re-examinations or reissues or equivalent or counterpart thereof; and all documentation and embodiments of the foregoing.

"Release" has the meaning set forth in Section 101(22) of CERCLA.

"Response Notice" is defined in Section 9.5(b).

"Reverse Termination Fee" is defined in Section 8.2.

"SBA" means the United States Small Business Administration.

"SBA PPP Forgiveness Applications" is defined in Section 4.27.

"SBA PPP Loan" means any loan obtained by the Company or any of its Subsidiaries under 15 U.S.C. 636(a)(36) (as added to the Small Business Act by Section 1102 of the CARES Act).

"SBA PPP Loan Date" means the date on which the Company or any of its Subsidiaries received the proceeds of an SBA PPP Loan.

"SBA PPP Loan Escrow Amount" is defined in Section 6.14(b).

"SBA PPP Loan Lender" means the lender servicing each of the SBA PPP Loans.

"Section 338(h)(10) Consideration" is defined in Section 10.10(b).

"Section 338(h)(10) Election" is defined in Section 10.10(a).

"Securities Act" means the Securities Act of 1933, as amended.

"Seller" is defined in the Preamble.

"Seller Indemnified Parties" is defined in Section 9.2(b).

"Seller Indemnitors" is defined in Section 9.2(a).

"Seller Parties" means, collectively, Seller, Parent and the Company.

"Shares" is defined in the Recitals.

"Small Business Act" means the Small Business Act, 15 U.S. Code, Chapter 14A – Aid to Small Business.

"Software" means any and all (i) computer programs and applications, including any and all software implementations of algorithms, models and methodologies, whether in source code

or object code, (ii) databases and compilations in digital form, including any and all data and collections of data in digital form, whether machine readable or otherwise, (iii) descriptions, flow-charts and other work product used to design, plan, organize and develop any of the foregoing, and (iv) all documentation, including user manuals and training materials, functional and technical specifications, relating to any of the foregoing.

"Specified Termination" is defined in Section 8.1(c).

"Standalone Tax Return" means any Company Tax Return, that either (a) includes only and exclusively the Company or its Subsidiaries or (b) any Company Tax Return filed on a consolidated, combined, unitary or similar basis with respect to which the Company is the common parent (as defined in Section 1504 of the Code), or any other acting in a similar capacity with respect to such Company Tax Return under applicable Law.

"Stipulated Amount" is defined in Section 9.5(e).

"Straddle Period" means any taxable period that begins on or before the Closing Date and ends after the Closing Date.

"Subsidiary" of any Person means (i) a corporation of which such Person owns or controls such number of the voting securities which is sufficient to elect at least a majority of its Board of Directors or (ii) a partnership or limited liability company of which such Person (either alone or through or together with any other Subsidiary) is the general partner or managing entity.

"Target Closing Net Working Capital" means $856,000.

"Tax" means any tax, charge, deficiency, duty, fee, levy, toll or other amount (including, without limitation, any net income, gross income, profits, gross receipts, escheat, excise, property, sales, ad valorem, withholding, social security, retirement, excise, employment, unemployment, minimum, alternative, add-on minimum, estimated, severance, stamp, occupation, environmental, premium, capital stock, disability, windfall profits, use, service, net worth, payroll, franchise, license, gains, customs, transfer, recording, registration, value added, surtax, capital gains, goods and services, registration, alternative or add-on or other tax) assessed or otherwise imposed by any Governmental Entity or under applicable Law, together with any interest, penalties or any other additions or increases.

"Tax Returns" means all returns, declarations, reports, claims for refund, information statements and other documents relating to Taxes, including all schedules and attachments thereto, and including all amendments thereof.

"Taxing Authority" means any Governmental Entity responsible for the administration or imposition of any Tax.

"Terminated Employees" is defined in Section 6.9.

"Transaction Documents" means this Agreement and the other agreements and instruments to be executed and delivered in connection herewith.

"Transaction Expenses" means all fees, costs and expenses (including investment bankers and financial advisors, attorneys' and accountants' fees, costs and expenses except as specifically set forth below) incurred by the Company (on behalf of the Company, Parent or Seller) in connection with the transactions contemplated by this Agreement.

"Transfer Taxes" is defined in Section 10.1(g).

"Unresolved Indemnity Escrow Claim" is defined in Section 9.6(a).

ii..Construction.

(1) Any rule of construction to the effect that ambiguities are to be resolved against the drafting Party shall not be applied in the construction or interpretation of this Agreement.

(2) The words "include" and "including" and variations thereof shall not be deemed to be terms of limitation, but rather shall be deemed to be followed by the words "without limitation".

(3) Except 'as otherwise indicated, all references in this Agreement to "Articles", "Sections", "Exhibits" and "Schedules" are intended to refer to the Articles and Sections of this Agreement, and to the Exhibits and Schedules to this Agreement, including the Disclosure Letter, as the context may require. All such Exhibits and Schedules, including the Disclosure Letter, shall be deemed a part of, and are hereby incorporated by reference into, this Agreement.

(4) As used in this Agreement, a document shall be deemed to have been "made available" to Buyer if, prior to the date of this Agreement and through the date of this Agreement, such document has been made available for viewing by Buyer in the Data Room.

(5) The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

Article XII.

GENERAL PROVISIONS

i..Further Assurances. Following the execution of this Agreement, and following the Closing, each of the Parties hereto shall, and shall cause their respective Affiliates to, execute and deliver such additional documents, instruments, conveyances and assurances, and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement.

ii..Expenses. Except as otherwise specifically provided herein, each Party shall bear its own transaction expenses in connection with this Agreement and the transactions contemplated hereby.

iii..Public Announcements. No public release or announcement concerning this Agreement or the transactions contemplated hereby shall be issued by any Party without the prior written consent of Buyer and Seller, which consent shall not be unreasonably withheld or delayed, except as such release or announcement may be required by applicable Law or the rules or regulations of any stock exchange or applicable Governmental Entity to which the relevant Party is subject, in which case the Party required to make the release or announcement shall use its commercially reasonable efforts to provide the other Party reasonable time to comment on such release or announcement in advance of such issuance, it being understood that the final form and content of any such release or announcement, to the extent so required, shall be at the final discretion of the disclosing Party. The Parties may make additional announcements that are not inconsistent in any material respects with the Parties' prior public disclosures regarding the substance of this Agreement without consent.

iv..Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed given if properly addressed as provided below as follows: (a) when delivered by hand (with written confirmation of receipt); (b) one day after being sent if sent by a nationally recognized overnight courier (receipt requested); or (c) on the date sent by e-mail of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient:

(1) If to Buyer (or to the Company after the Closing), to:

Knob Creek Acquisition Corp.
564 N. Knob Creek Road
Seymour, TN 37865
Attn: Patrick J. Doyle
E-mail: pjdoyle@dirs2u.com

with a copy (which shall not constitute notice) to:

Woolf, McClane, Bright,
Allen & Carpenter, PLLC
900 South Gay Street, Suite 900
Knoxville, TN 37902
Attention: R. Joseph Parkey, Jr., Esq.
E-mail: jparkey@wmbac.com

(2) if Seller or Parent, to:

DIGIRAD Corporation
1048 Industrial Court
Suwanee, GA 30024
Attention: Matthew Molchan
E-mail: matt.molchan@digirad.com

with a copy (which shall not constitute notice) to:

Olshan Frome Wolosky LLP
1325 Avenue of the Americas
New York, NY 10019
Attention: Adam Finerman, Esq.
E-mail: AFinerman@olshanlaw.com

v..Entire Agreement. This Agreement, the Exhibits and the Schedules hereto, including the Disclosure Letter, the Transaction Documents and the Confidentiality Agreement constitute the entire agreement among the Parties with respect to the subject matter hereof and supersede all prior agreements and understandings, both written and oral, among the Parties with respect to the subject matter hereof.

vi..Severability. In the event that any provision of this Agreement or the application thereof becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Agreement will continue in full force and effect and the application of such provision will be interpreted so as reasonably to effect the intent of the Parties. The Parties further agree to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the greatest extent possible, the economic, business and other purposes of such void or unenforceable provision.

vii..Specific Performance. The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to seek an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at Law or in equity.

viii..Successors and Assigns; Assignment; Parties in Interest.

(1) This Agreement shall inure to the benefit of, and be binding on, the Parties and their respective successors and assigns (if any). Except as otherwise specifically provided herein, no Party may assign any of its rights or delegate any of its obligations under this Agreement without the prior written consent of the other Parties.

(2) Nothing in this Agreement, express or implied, is intended to or shall confer upon any Person other than a Party any rights, interests, benefits or other remedies of any nature under or by reason of this Agreement, except that the indemnification provisions of this Agreement are intended to benefit the Indemnified Parties, and all such intended third-party beneficiaries shall be entitled to enforce such provisions of this Agreement.

ix..Amendment; Waiver. This Agreement may be amended by the Parties only by execution of an instrument in writing signed by Buyer and Seller. At any time prior to the Closing, any Party hereto may (a) extend the time for the performance of any of the obligations

of the other Parties, (b) waive any inaccuracies in the representations and warranties made to such Party contained herein or in any document delivered pursuant hereto or (c) waive compliance with any of the agreements or conditions for the benefit of such Party contained herein. Any agreement by any Party to any such extension or waiver shall be valid only if, and to the extent that, set forth in an instrument in writing signed on behalf of such Party. No failure on the part of any Person to exercise any power, right, privilege or remedy under this Agreement, and no delay on the part of any Person in exercising any power, right, privilege or remedy under this Agreement, shall operate as a waiver of such power, right, privilege or remedy; and no single or partial exercise of any such power, right privilege or remedy shall preclude any other or further exercise thereof or of any other power, right, privilege or remedy.

x..Governing Law; Venue.

(1) This Agreement shall be construed in accordance with, and governed in all respects by, the internal Laws of the State of Delaware, without giving effect to conflicts of law or choice of law provisions thereof.

(2) Unless otherwise explicitly provided in this Agreement, any Legal Action relating to this Agreement or the enforcement of any provision of this Agreement shall be brought or otherwise commenced in any state or federal court located in Atlanta, Georgia. Each Party (i) expressly and irrevocably consents and submits to the jurisdiction of each such court, and each appellate court of competent jurisdiction located in the State of Georgia, in connection with any such Legal Action, (ii) agrees that each such court shall be deemed to be a convenient forum and (iii) agrees not to assert, by way of motion, as a defense or otherwise, in any such Legal Action commenced in any such court, any claim that such Party is not subject personally to the jurisdiction of such court, that such Legal Action has been brought in an inconvenient forum, that the venue of such Legal Action is improper or that this Agreement or the subject matter of this Agreement may not be enforced in or by such court.

xi..Waiver of Jury Trial. EACH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY TRANSACTION DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (INCLUDING ANY LITIGATION, CLAIM, DEMAND, ACTION OR CAUSE OF ACTION THAT INVOLVES THE DEBT FINANCING SOURCES). EACH PARTY HERETO CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTIES HAS REPRESENTED, EXPRESSLY OR OTHERWISE THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 12.11.

xii..Other Remedies. Except as otherwise provided herein, any and all remedies herein expressly conferred upon a Party will be deemed cumulative with and not exclusive of any other

remedy conferred hereby, or by law or equity upon such Party, and the exercise by a Party of any one remedy will not preclude the exercise of any other remedy.

xiii..Counterparts; Electronic Delivery. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Any signature page delivered by facsimile or electronic image transmission shall be binding to the same extent as an original signature page. Any Party that delivers a signature page by facsimile or electronic image transmission shall deliver an original counterpart to any other Party that requests such original counterpart, it being understood and agreed that the failure to deliver any such original counterpart upon request shall not affect the binding nature of the signature page delivered by facsimile or electronic image transmission.

xiv..Waiver of Privilege. The Parties hereby acknowledge and agree that, as to all communications between Olshan, on the one hand, and the Parent, Seller and the Company (prior to the Closing), on the other hand, that relate to this Agreement or the transactions contemplated hereby, the attorney-client privilege and the expectation of client confidence belongs to the Parent and Seller and shall not pass to or be claimed by Buyer or the Company (after the Closing) in the event of a legal dispute with Parent or Seller.

xv..Conflict Waiver. Each Party hereby acknowledges and agrees that (a) at the Closing, the attorney-client relationship between Olshan and the Company shall terminate, and (b) Olshan in the future may represent Parent and it subsidiaries, including Seller (and any of their respective heirs, executors, administrators, Affiliates, successors and assigns) (individually, a "Stockholder Party" and collectively, the "Stockholder Parties") in any matter, including any dispute, negotiation, controversy, arbitration or litigation which may arise between any Stockholder Party on the one hand, and Buyer or the Company (and any of their respective Affiliates, successors and assigns) (collectively, the "Buyer Entities"), on the other hand, with respect to this Agreement or the transactions contemplated hereby, even if such matters are directly adverse to the Company and each of the other Buyer Entities, and each of the Company and the other Buyer Entities hereby consents to such representation. Olshan will not be required to notify the Company or any other Buyer Entity of any such representation as it arises. In connection with any such representation by Olshan of any one or more of the Stockholder Parties in any matter with respect to this Agreement or the transactions contemplated hereby in which the Buyer Entities are adverse, the Company and each other Buyer Entity hereby waives any duty of confidentiality or attorney-client privilege which may have arisen as a result of Olshan's representation of the Company, the Seller and Parent. The Company and each other Buyer Entity understands that it is being asked now to waive future conflicts as described above without knowledge as to the specifics of those conflicts because the waiver pertains to future facts and events. This consent and waiver is intended to be for the benefit of Olshan and effective in all jurisdictions in which Olshan practices, and to extend to any rights conferred on the Company or any other Buyer Entity by the professional rules of conduct of any such jurisdiction and any other statute, rule, decision or common law principle relating to conflicts of interest that may otherwise be applicable.

[The remainder of this page has been intentionally left blank. Signature page follows.]

In Witness Whereof, each of the Parties has caused this Agreement to be executed and delivered by its duly authorized representative as of the date first written above.

SELLER:

Project Rendezvous Acquisition Corporation

By: /s/ Matthew G. Molchan
Name: Matthew G. Molchan
Its: President

PARENT:

Digirad Corporation

By: /s/ Matthew G. Molchan
Name: Matthew G. Molchan
Its: President and Chief Executive Officer

COMPANY:

DMS Health Technologies, Inc.

By: /s/ Matthew G. Molchan
Name: Matthew G. Molchan
Its: President

BUYER:

Knob Creek Acquisition Corp.

By: /s/ Patrick J. Doyle
Name: Patrick J. Doyle
Its: President

AMENDMENT TO STOCK PURCHASE AGREEMENT

This AMENDMENT TO STOCK PURCHASE AGREEMENT (this "Amendment") is made as of March 26, 2021, by and between Knob Creek Acquisition Corp., a Tennessee corporation ("Buyer"), Star Equity Holdings, Inc. (formerly known as Digirad Corporation), a Delaware corporation ("Parent"), Project Rendezvous Acquisition Corporation, a Delaware corporation ("Seller"), and DMS Health Technologies, Inc., a North Dakota corporation (the "Company"). Capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings ascribed to them in the Purchase Agreement (as defined below).

R E C I T A L S

WHEREAS, Buyer, Parent, Seller, and the Company are parties to that certain Stock Purchase Agreement, dated as of October 30, 2020 (the "Purchase Agreement"), providing for the purchase by Buyer of all of the outstanding capital stock of the Company on the terms and subject to the conditions set forth therein;

WHEREAS, pursuant to Section 12.9 of the Purchase Agreement, the Purchase Agreement may be amended by the execution of an instrument in writing signed by Buyer and Seller; and

WHEREAS, the parties hereto desire to amend the Purchase Agreement as set forth herein.

A G R E E M E N T

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Amendments to the Purchase Agreement.

(a) Exhibit A to the Purchase Agreement is hereby removed such that the Purchase Agreement no longer includes any exhibits.

(b) Section 2.1(a) of the Purchase Agreement is hereby amended and restated to read in its entirety as follows:

"(a) to Seller, an amount equal to the Net Initial Purchase Price;"

(c) Section 2.1(b) of the Purchase Agreement is hereby removed in its entirety and replaced with the following:

"(b) [Intentionally Omitted];"

(d) Section 2.2(a) of the Purchase Agreement is hereby removed in its entirety and replaced with the following:

"(a) [Intentionally Omitted];"

(e) Section 2.2(b) of the Purchase Agreement is hereby amended and restated to read in its entirety as follows:

"(b) Within one hundred eighty (180) days after the Closing Date, Buyer shall prepare and deliver to Seller a statement setting forth Buyer's determination of (i) the Closing Net Working Capital and (ii) the Closing Cash (the "Closing Statement"), showing all calculations in reasonable detail. The Closing Statement shall be based upon the books and records of the Company and shall be prepared in accordance with GAAP in the manner applied in the preparation of the Company Financial Statements."

(f) All references to the term "Estimated Closing Net Working Capital" in Sections 2.2(c) and 2.2(d) of the Purchase Agreement are hereby deleted and replaced with term "Target Closing Net Working Capital".

(g) All references to the phrase "plus the Estimated Closing Cash" in Section 2.2(d) of the Purchase Agreement are hereby deleted.

(h) Section 2.3 of the Purchase Agreement is hereby removed in its entirety and replaced with the following:

"2.3 [Intentionally Omitted]."

(i) The first sentence of Section 9.5(a) of the Purchase Agreement is hereby amended and restated to read in its entirety as follows:

"(a) If any Indemnitee has or claims in good faith to have incurred or suffered Losses for which it is or may be entitled to be held harmless, indemnified, compensated or reimbursed under this Article IX or for which it is entitled to a monetary remedy, such Indemnitee may deliver a written notice of claim (a "Notice of Claim") to the applicable Indemnitor."

(j) The first sentence of Section 9.5(b) of the Purchase Agreement is hereby amended and restated to read in its entirety as follows:

"(b) During the twenty (20)-day period commencing upon delivery by an Indemnitee to the applicable Indemnitor of a Notice of Claim (the "Claim Dispute Period"), the applicable Indemnitor may deliver to the Indemnitee who delivered the Notice of Claim a written response (the "Response Notice") in which the Indemnitor: (i) agrees that the full Claimed Amount is owed to the Indemnitee; (ii) agrees that part, but not all, of the Claimed Amount (such agreed portion, the "Agreed Amount") is owed to the Indemnitee; or (iii) indicates that no part of the Claimed Amount is owed to the Indemnitee."

(k) Section 9.5(c) of the Purchase Agreement is hereby amended and restated to read in its entirety as follows:

(c) If the Indemnitor delivers a Response Notice agreeing that the full Claimed Amount is owed to the Indemnitee or fails to deliver a Response Notice prior to the end of the Claim Dispute Period, then within three (3) Business Days following the receipt of such Response Notice by the Indemnitee or, if no Response Notice is delivered before the end of the Claim Dispute Period, within three (3) Business Days following end of the Claim Dispute Period, the Indemnitor shall, subject to the limitations set forth in this Article IX, pay to the applicable Indemnitee an amount in cash equal to the full Claimed Amount.

(l) Section 9.5(d) of the Purchase Agreement is hereby amended and restated to read in its entirety as follows:

(d) If the Indemnitor delivers a Response Notice during the Claim Dispute Period agreeing that less than the full Claimed Amount is owed to the Indemnitee, then within three (3) Business Days following the receipt of such Response Notice, the Indemnitor shall, subject to the limitations set forth in this Article IX, pay to the applicable Indemnitee an amount in cash equal to the Agreed Amount.

(m) Section 9.5(e) of the Purchase Agreement is hereby amended and restated to read in its entirety as follows:

(e) If the Indemnitor delivers a Response Notice during the Claim Dispute Period indicating that there is a Contested Amount, the Indemnitor and the Indemnitee shall attempt in good faith to resolve the dispute related to the Contested Amount. If the Indemnitee and the Indemnitor resolve such dispute, a settlement agreement stipulating the amount owed to the Indemnitee (the "Stipulated Amount") shall be signed by the Indemnitee and the Indemnitor. Within three (3) Business Days following the execution of such settlement agreement (or such shorter period of time as may be set forth in the settlement agreement), the Indemnitor shall, subject to the limitations set forth in this Article IX, pay to the applicable Indemnitee an amount in cash equal to the Stipulated Amount.

(n) Section 9.6 of the Purchase Agreement is hereby removed in its entirety and replaced with the following:

9.6 [Intentionally Omitted].

(o) Section 11.1 of the Purchase Agreement is hereby amended to remove the following defined terms and their corresponding definitions in their entirety: "Escrow Agent"; "Escrow Agreement"; "Estimated Closing Cash"; "Estimated Closing Net Working Capital"; "Indemnity Escrow Account"; "Indemnity Escrow Amount"; "Pending Claim Amount"; and "Unresolved Indemnity Escrow Claim".

(p) The definition of "Net Initial Purchase Price" set forth in Section 11.1 of the Purchase Agreement is hereby amended and restated to read in its entirety as follows:

"Net Initial Purchase Price" means an amount equal to (i) Eighteen Million Seven Hundred Fifty Thousand Dollars ($18,750,000), *minus* (ii) any Transaction Expenses to be paid by the Company or any of its Subsidiaries at or following the Closing, *minus* (iii) the aggregate amount of Debt (other than any SBA PPP Loans that remain outstanding with respect to which no final forgiveness determination has been made by the SBA) as of the Closing Date, and *minus* (iv) the SBA PPP Loan Escrow Amount, if any.

2. Amendment to the Disclosure Letter.

2.1 Section 6.9(c) of the Disclosure Letter is hereby amended and restated to read in its entirety as set forth on Exhibit A.

3. Miscellaneous.

3.1 Effect of Amendment. Except as otherwise expressly provided for herein, the Purchase Agreement shall remain unchanged and shall continue in full force and effect. From and after the date hereof, any references to the Purchase Agreement shall be deemed to be references to the Purchase Agreement as amended by this Amendment.

3.2 Successors and Assigns. The terms and conditions of this Amendment shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

3.3 Governing Law. This Amendment shall be interpreted and enforced in accordance with, and its validity and performance shall be governed by, the laws of the State of Delaware without regard to its laws regarding conflicts of laws.

3.4 Counterparts; Electronic Delivery. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Any signature page delivered by facsimile or electronic image transmission shall be binding to the same extent as an original signature page. Any party that delivers a signature page by facsimile or electronic image transmission shall deliver an original counterpart to any other party that requests such original counterpart, it being understood and agreed that the failure to deliver any such original counterpart upon request shall not affect the binding nature of the signature page delivered by facsimile or electronic image transmission.

[signature page follows]

IN WITNESS WHEREOF, the parties have duly executed this Amendment to Stock Purchase Agreement as of the date first above written.

SELLER:

Project Rendezvous Acquisition Corporation

By: /s/Matthew G. Molchan
Name: Matthew G. Molchan
Its: President

PARENT:

Star Equity Holdings, Inc.

By: /s/David J. Noble
Name: David J. Noble
Its: Chief Financial Officer

COMPANY:

DMS Health Technologies, Inc.

By: /s/ Matthew G. Molchan
Name: Matthew G. Molchan
Its: President

BUYER:

Knob Creek Acquisition Corp.

By: /s/Patrick J. Doyle
Name: Patrick J. Doyle
Its: President

Exhibit 21.1

Subsidiaries of Registrant as of March 26, 2021

Name: Digirad Health, Inc.
State of Incorporation: Delaware

Name: Digirad Diagnostic Imaging, Inc.
State of Incorporation: Delaware

Name: Digirad Imaging Solutions, Inc.
State of Incorporation: Delaware

Name: Project Rendezvous Holding Corporation
State of Incorporation: Delaware

Name: Project Rendezvous Acquisition Corporation
State of Incorporation: Delaware

Name: DMS Health Technologies, Inc.
State of Incorporation: North Dakota

Name: DMS Imaging, Inc.
State of Incorporation: North Dakota

Name: DMS Health Technologies - Canada, Inc.
State of Incorporation: North Dakota

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: Lone Star Value Management, LLC
State of Incorporation: Connecticut

Name: Star Procurement, LLC
State of Incorporation: Delaware

Name: ATRM 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: Lone Star Value Fund, LP
State of Incorporation: Delaware

Name: Star Value, LLC
State of Incorporation: Delaware

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

Star Equity Holdings, Inc.
Old Greenwich, Connecticut

We hereby consent to the incorporation by reference in the Registration Statements on Form S-1 (No. 333-248872), Form S-3 (No. 333-203785) and Form S-8 (Nos. 333-250177, 333-228214, 333-196562, 333-175986, and 333-116345) of Star Equity Holdings, Inc. of our report dated March 29, 2021, relating to the consolidated financial statements, which appears in this Form 10-K. Our report contains an explanatory paragraph regarding restatement to correct 2019 misstatement.

/s/ BDO USA, LLP
San Diego, California

March 29, 2021

EXHIBIT 31.1

CERTIFICATION OF
PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey E. Eberwein, certify that:

1. I have reviewed this 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 29, 2021

/S/ Jeffrey E. Eberwein

Jeffrey E. Eberwein
Executive Chairman
(Principal Executive Officer)

EXHIBIT 31.2

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 29, 2021

/S/ David J. Noble

David J. Noble

Chief Financial Officer and Chief Operating Officer
(Principal Financial and Accounting Officer)

EXHIBIT 32.1

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, 2020, I, Jeffrey E. Eberwein, Executive Chairman of Star Equity Holdings, Inc., hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) such Annual Report on Form 10-K of Star Equity Holding, Inc. for the year ended December 31, 2020, 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, 2020, 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 29, 2021

/s/ Jeffrey E. Eberwein

Jeffrey E. Eberwein
Executive Chairman
(Principal Executive Officer)

A signed copy of this written statement required by Section 906 has been provided to Digirad Corporation and will be retained by Star Equity Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

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, 2020, 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, 2020, 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, 2020, 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 29, 2021

/S/ David J. Noble

David J. Noble

Chief Financial Officer and Chief Operating Officer
(Principal Financial and Accounting Officer)

A signed copy of this written statement required by Section 906 has been provided to Star Equity Holdings, Inc. Corporation and will be retained by Star Equity Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.