

**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, 2022
or
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission file number: 001-35947



Star Equity Holdings, Inc.

(Exact name of registrant as specified in its charter)

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

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

(203) 489-9500
(Registrant's Telephone Number, Including Area Code)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
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 pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

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

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

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

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

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

The aggregate market value of the voting common stock held by non-affiliates based on the closing stock price on June 30, 2022, was \$10.4 million. For purposes of this computation only, all executive officers and directors have been deemed affiliates.

The number of outstanding shares of the registrant's common stock, par value \$0.0001 per share, as of March 7, 2023 was 15,133,219.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement relating to its 2023 annual meeting of shareholders (the "2023 Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The 2023 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

STAR EQUITY HOLDINGS, INC.
FORM 10-K—ANNUAL REPORT
For the Fiscal Year Ended December 31, 2022
Table of Contents

	<u>Page</u>
<u>PART I</u>	<u>1</u>
Item 1 Business	<u>1</u>
Item 1A Risk Factors	<u>13</u>
Item 1B Unresolved Staff Comments	<u>29</u>
Item 2 Properties	<u>29</u>
Item 3 Legal Proceedings	<u>29</u>
Item 4 Mine Safety Disclosures	<u>29</u>
<u>PART II</u>	<u>30</u>
Item 5 Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	<u>30</u>
Item 6 [Reserved]	<u>30</u>
Item 7 Management’s Discussion and Analysis of Financial Condition and Results of Operations	<u>31</u>
Item 7A Quantitative and Qualitative Disclosures About Market Risk	<u>40</u>
Item 8 Financial Statements and Supplementary Data	<u>41</u>
Item 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosures	<u>78</u>
Item 9A Controls and Procedures	<u>78</u>
Item 9B Other Information	<u>78</u>
Item 9C Disclosure Regarding Foreign Jurisdictions That Prevent Inspections	<u>78</u>
<u>PART III</u>	<u>79</u>
Item 10 Directors, Executive Officers and Corporate Governance	<u>79</u>
Item 11 Executive Compensation	<u>79</u>
Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	<u>79</u>
Item 13 Certain Relationships and Related Transactions, and Director Independence	<u>79</u>
Item 14 Principal Accounting Fees and Services	<u>79</u>
<u>PART IV</u>	<u>80</u>
Item 15 Exhibits, Financial Statement Schedules	<u>80</u>
Item 16 Form 10-K Summary	<u>91</u>
Signatures	<u>92</u>

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: Healthcare, Construction, and 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 1. *Business – Business Segments* and Note 15. *Segments* within the notes to our accompanying consolidated financial statements. Unless the context requires otherwise, in this report the terms “we,” “us,” and “our” refer to Star Equity and our wholly owned subsidiaries.

ITEM 1. BUSINESS

Overview

Star Equity Holdings, Inc. (“Star Equity”, the “Company”, “we”, “our”) is a multi-industry diversified holding company with three divisions which include operating businesses in two key industry sectors, Healthcare and Construction. We also have a separate Investments division.

Our Healthcare division, which operates as Digirad Health, Inc. (“Digirad Health”), provides products and services in the area of nuclear medical imaging with a focus on cardiac health. Digirad Health operates across the United States and comprises two lines of business—providing imaging services to healthcare providers using a fleet of our proprietary solid-state gamma cameras, as well as the manufacturing, distribution, and maintenance of our proprietary solid-state gamma cameras.

Our Construction division is made up of three operating businesses: KBS Builders, Inc. (“KBS”), EdgeBuilder, Inc. (“EdgeBuilder”), and Glenbrook Building Supply, Inc. (“Glenbrook”), with the latter two managed together and referred to jointly as “EBGL”. KBS is based in Maine and manufactures modular buildings for installation principally in the New England market. EBGL is based in the Minneapolis-Saint Paul area and principally serves the Upper Midwest. Together, the EBGL businesses manufacture and deliver structural wall panels and other engineered wood-based products as well as distribute building materials primarily to professional builder customers.

Our Investments division is an internally funded unit directly supervised by Star Equity management. This entity holds and manages our corporate-owned real estate, which currently includes our three manufacturing facilities in Maine that are leased to KBS, as well as minority investments in several public companies.

Strategy

Star Equity

We believe our diversified, multi-industry holding company structure allows Star Equity management to focus on capital allocation, strategic leadership, mergers and acquisitions, capital markets transactions, investor relations, as well as management of our Investments division. Our structure frees up our operating company management teams to focus on their respective businesses, look for organic and bolt-on growth opportunities, and improve operations with less distraction and administrative burden associated with running a public company.

We continue to explore strategic alternatives to improve our market position and the profitability of our product offerings, generate additional liquidity, and enhance our valuation. We may pursue our goals through organic growth and through strategic alternatives. Some of these alternatives have included, and could continue to include, selective acquisitions of businesses, divestitures of assets or businesses, equity offerings, debt financings, or corporate restructuring.

Operating Businesses

We believe that both of our operating divisions, Healthcare and Construction, are well positioned for growth in large addressable markets. The key elements of our growth strategy include the following:

- **Organic growth from our core businesses.** We believe that we operate in markets and geographies that will allow us to continue to grow our core businesses, allowing us to benefit from our scale and strengths. We plan to focus our efforts on markets in which we already have a presence in order to leverage the personnel, infrastructure, and brand recognition we have in these areas.
- **Introduction of new services.** In the Healthcare division, we plan to continue to focus on healthcare solutions-related businesses that deliver necessary assets, services, and logistics directly to the customer site and which leverage our existing customer relationships. 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. Additionally, we are exploring new imaging technologies through the recent establishment of a joint venture that is presently conducting research and development in the area of heart imaging. In the Construction division, we will consider opportunities to augment our service offering to better serve our customer base. We have done this in the New England market with our entry into the commercial multi-family segment. Other areas might include logistics, on site installation, and manufacturing of sub-components.
- **Acquisition of complementary businesses.** We plan to continue to look at complementary businesses that meet our financial criteria for acquisitions to grow our Company. We believe there are many potential small public and private targets that can be acquired over time and integrated into our platform. We will also look at larger, more transformational mergers and acquisitions if we believe the appropriate mix of value, risk, and return is present for our stockholders. The timing of these potential transactions will always depend on market conditions, available capital, and valuation. In general, we want to be “value” buyers, and will not pursue any transaction unless we believe the post-transaction potential value is high for stockholders.

Business Segments

Our reportable segments are based upon our internal organizational structure, the manner in which our operations are managed, the criteria used by our Chief Executive Officer (Chief Operating Decision Maker or "CODM") to evaluate segment performance, the availability of separate financial information, and overall materiality considerations. Prior to 2022, we had four reportable segments: Diagnostic Imaging, Diagnostic Services, Construction, and Investments. Effective as of the first quarter of 2022, we reorganized our financial statements into three reportable segments by combining Diagnostic Imaging and Diagnostic Services into one Healthcare segment. This reflects the manner in which our CODM assesses performance and allocates resources:

- Healthcare
- Construction
- Investments

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

During the last two fiscal years, the mix of Healthcare and Construction revenue is summarized as follows:

	<u>Year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Healthcare Revenue	49.0 %	55.0 %
	<u>Year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Construction Revenue	51.0 %	45.0 %

Detailed Description of Our Operating Segments

Healthcare

For physicians who wish to perform nuclear imaging, echocardiography, or general ultrasound tests, we provide imaging systems, qualified personnel, radiopharmaceuticals, licensing services, and the logistics required to perform imaging in their own offices, while they retain the right and obligation to bill Medicare, Medicaid, or one of the third-party healthcare insurers directly for those services. While our services 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. We offer a convenient and economically efficient cardiac imaging services program as an alternative to purchasing equipment or outsourcing the procedure to an imaging center.

In addition, we manufacture and sell our internally developed solid-state gamma cameras and imaging systems, as well as provide field services through camera maintenance contracts. Our imaging systems include nuclear cardiac imaging systems, as well as general purpose nuclear imaging systems. We sell our imaging systems and service contracts 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 flexibility 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).

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

Construction

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

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

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

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

Investments

We hold three real estate assets in our portfolio, all of which we lease to our construction subsidiary, KBS. These include their principal production facility in South Paris, ME. Also, we continue to expand our investment activities and have established minority positions in the equity securities of a small number of publicly traded companies

Our Competitive Strengths

Healthcare Services and Products

Our Healthcare division delivers convenient, effective, and efficient healthcare solutions on an as needed, when needed, and where needed basis through our mobile products and services. Our Healthcare division'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 centered around 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 enabled healthcare imaging services, as described below:

- *Broad Portfolio of Imaging Services.* 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. We also recruit and maintain highly trained staff for our clinical and repair services, which allows us to provide superior and more efficient services.
- *Unique Dual Sales and Service Offering.* For the majority of our business, 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, 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 required 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.
- *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 small 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.
- *Addressable Markets and Revenue Opportunities.* Bolstered by advances in medical imaging technology, large and growing global healthcare expenditures, an increasing demand for early disease detection and diagnosis, and an aging population, we believe the vast size of the addressable market and the multitude of imaging procedures and applications in the diagnostic imaging market position us to grow revenue and market share in the coming years.

Construction Services and Products

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

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

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

Sales

Healthcare

We maintain separate sales organizations that are aligned with each of our business units and operate independently but in cooperation with each other. Diagnostic Services sales focuses its efforts on twelve regional areas where the demand for cardiac imaging is concentrated. Diagnostic Imaging equipment sales has a national focus and targets both hospitals and physician practices. Diagnostic Services and Diagnostic Imaging sales teams work collaboratively to address the full range of customers from smaller practice mobile nuclear cardiac imaging services to selling capital equipment to larger practices and hospitals.

Construction

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

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

Competition

Healthcare

The market for selling diagnostic products and services to private medical practices and hospitals is highly competitive. 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, and 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, as well as 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, marketing, and sales, and the ability to bundle products to offer discounts.

Construction

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

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

EBGL. EBGL is a regional manufacturer of engineered structural wall panels and permanent wood foundation systems and also has a local professional-builder-focused retail distribution business. EBGL's market is primarily the Upper Midwest states (Iowa, Minnesota, Missouri, North Dakota, South Dakota, and Wisconsin), though largely concentrated within Minnesota and Wisconsin. Glenbrook Building Supply's professional building material distribution 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, Healthcare division intellectual property is currently subject to a security interest under the credit facility with Webster Bank, N.A. ("Webster").

Our Construction division's intellectual property is currently subject to a security interest under the credit facility with eCapital Asset Based Lending Corp., formerly known as Gerber Finance Inc. ("eCapital"). Intellectual property is not a very significant factor in our Construction business.

Patents

In Healthcare, we have developed a patent portfolio that covers our products, components, and processes. We have 9 non-expired United States 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 2024 (U.S. Patent 7,164,130) 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 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 Diagnostic 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

Healthcare. 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. We work closely with our suppliers to assure continuity of supply while maintaining high quality and reliability. Inflation and 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.

Our Healthcare 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. In the fourth quarter of 2022, there was a short term worldwide shortage in the supply of radiopharmaceuticals. As such we experienced some shortages which had a negative impact on our business during the last two months of the year. Notwithstanding this temporary shortage, these resources have been and are expected to continue to produce enough raw materials to address the global market, although global conflict in some uranium-rich countries could reduce supply. There continues to be pressure to utilize low or non-enriched uranium resources to produce the underlying nuclear doses.

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

Manufacturing

Healthcare. 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 U.S. Food and Drug Administration (“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 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.

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

EBGL consists of two separate companies (EdgeBuilder and Glenbrook) operating in tandem with a common management team. EdgeBuilder manufactures wall panels and permanent wood foundations (PWF) in a climate-controlled factory, then transports the panels to the construction site via flat-bed trucks. The panels are typically unloaded by crane and erected, or assembled, on site by professional framing contractors. Panelized construction, especially in large-scale, multi-unit projects, is becoming increasingly popular due to the heightened demand for construction labor. Additionally, because the wall panels are constructed in a controlled indoor environment, waste, weather-related delays, and mistakes are minimized. This shaves weeks off large, multi-unit construction schedules, leaving room for more annual builds. Glenbrook, as a retailer of professional building products, is not directly involved in manufacturing but does often sell and ship product in tandem with EdgeBuilder wall panel deliveries. As International Building Code® continues to evolve, KBS and EBGL, along with our professional partners in the industry, meet code changes with innovative products and a dedicated staff for adherent builds.

Healthcare Reimbursement

Our Healthcare customers typically rely primarily on the Medicare and Medicaid programs and private payors for reimbursement. As a result, demand for our products and services is dependent in part on the coverage, reimbursement policies, and ability to pay 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 United States. 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 Statute 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.

Human Capital Resources

As of December 31, 2022, we had a total of 413 employees in all our divisions, of which 174 were employed in clinical health-related positions, 106 in manufacturing, 56 in operational roles, 55 in general and administrative functions, and 22 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 policies to prevent discrimination based on gender, race, disability, ethnicity, nationality, religion, sexual orientation, gender identity, or gender expression. We take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. We also take affirmative action to employ and advance veterans in employment. We have not experienced any work stoppages and consider our employee relations to be good.

Recent History of our Business Transformation

On October 30, 2020, Star Equity entered into a Stock Purchase Agreement (the “DMS Purchase Agreement”) with Knob Creek Acquisition Corp., a Tennessee corporation (“Buyer”), subject to the satisfaction or waiver of certain conditions. Buyer purchased all of the issued and outstanding common stock of DMS Health Technologies Inc. (“DMS Health”), which operated our Mobile Healthcare business segment, from Project Rendezvous Acquisition Corporation, a Delaware corporation and wholly owned subsidiary of the Company (the “DMS Sale Transaction”). As a result of the entry into the DMS Purchase Agreement, for the year ended December 31, 2021, the Mobile Healthcare business is reported on the Consolidated Statements of Operations as discontinued operations. The purchase price for the DMS Sale Transaction was \$18.75 million in cash. After certain adjustments, including a working capital adjustment, we received an immaterial amount of net escrow settlement in January, 2022.

On February 1, 2021, the Company completed the sale of its MD Office Solutions (“MDOS”) 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.

On March 31, 2021, in connection with completing the sale of DMS Health, the Company, certain subsidiaries of the Company, and Sterling entered into a Second Amendment to the Webster Loan Agreement (as defined below) pursuant to which, among other things, Sterling consented to the sale of DMS Health and its subsidiaries, removed DMS Health and its subsidiaries as borrowers under the Webster Loan Agreement, and required the principal to be paid down to \$7.0 million. On February 1, 2022, Sterling became part of Webster, and Webster became successor in interest to the Webster Loan Agreement.

On June 2, 2021, our board of directors adopted, and we entered into, a Rights Agreement (the “Rights Agreement”) with American Stock Transfer & Trust Company, LLC, as rights agent, designed to preserve the value of our significant U.S. net operating loss carryforwards (“NOLs”) and other tax benefits by deterring transfers of our common stock that could result in an “ownership change” under Section 382 of the Internal Revenue Code of 1986, as amended (“the Code”). In connection with the Rights Agreement, our board of directors declared a dividend to our stockholders of record as of the close of business on June 14, 2021, for each outstanding share of our common stock, of one right to purchase one one-thousandth of a share of a new series of participating preferred stock of our Company at a specified exercise price.

Pursuant to the Rights Agreement, if any person or group acquires 4.99% or more of the outstanding shares of our common stock without our board of directors’ permission, or if a person or group that already owns 4.99% or more of our common stock acquires additional shares without our board of directors’ permission, then, subject to certain exceptions, there would be a triggering event under the Rights Agreement. The rights would then become exercisable and entitle stockholders (other than the acquiring person or group) to purchase additional shares at a significant discount and result in significant dilution in the economic interest and voting power of the acquiring person or group. In its discretion, our board of directors may exempt certain transactions from the provisions of the Rights Agreement, including if our board of directors determines that the transaction will not jeopardize our tax benefits, or the transaction will otherwise serve our best interests. Any stockholder desiring to own 5% or more of our shares, or increase an existing ownership position that is already at or above 5%, can request an exemption from our board of directors by submitting certain basic information to us and following the other instructions included in the Rights Agreement. The Rights Agreement and the rights issued under the Rights Agreement will expire on June 2, 2024, or on an earlier date if certain events occur, as described more fully in the Rights Agreement.

At our Annual Meeting of Stockholders held on October 21, 2021, our stockholders ratified and approved the Rights Agreement and a protective amendment to our Restated Certificate of Incorporation designed to protect the tax benefits of our NOLs. Additional information regarding the Rights Agreement is contained in our Definitive Proxy Statement filed with the Securities and Exchange Commission (the “SEC”) on September 22, 2021.

No rights were exercisable at December 31, 2022. There is no impact to financial results as a result of the adoption of the Rights Agreement for the year ended December 31, 2022.

On December 10, 2021, we entered into a securities purchase agreement (the “Purchase Agreement”) with Jeffrey E. Eberwein, our Executive Chairman, relating to the issuance and sale of 650,000 shares of our common stock at a purchase price of \$3.25 per share pursuant to a private placement. The transaction was approved by a Special Committee of our board of directors made up of independent directors and by the Audit Committee of our board of directors. The gross proceeds to us from the transaction, before deducting transaction fees and other transaction expenses, were \$2.1 million.

Pursuant to the Purchase Agreement, we agreed to use commercially reasonable efforts to file a resale registration statement to register under the Securities Act of 1933 the resale by Mr. Eberwein of the shares, which was completed in January 2022.

On January 24, 2022, we closed an underwritten public offering (the “2022 Public Offering”) pursuant to an underwriting agreement with Maxim Group LLC, as representative of the underwriters. The 2022 Public Offering was for 9,500,000 shares of common stock (or pre-funded warrants to purchase shares of common stock in lieu thereof) and warrants to purchase up to 9,500,000 shares of common stock (the “common warrants”). Each share of common stock (or pre-funded warrant in lieu thereof) was sold together with one common warrant to purchase one share of common stock at a price of \$1.50 per share and common warrant. Gross proceeds, before deducting underwriting discounts and offering expenses and excluding any proceeds we may receive upon exercise of the common warrants, were \$14.3 million and net proceeds were \$12.7 million.

Effective April 1, 2022, we appointed Richard K. Coleman Jr. as Chief Executive Officer. Mr. Coleman was elected to our Board of Directors in May 2022. Mr. Coleman brings extensive CEO leadership and board-level experience to our senior leadership team. In his role as Chief Executive Officer, he oversees our operations, assists our business leaders in achieving their growth and profitability goals and will launch new business initiatives, as well as help analyze and integrate future acquisitions. Mr. Coleman brings more than 30 years of executive leadership experience with extensive expertise in business development, operational excellence, and acquisitions.

Available Information

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

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

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

ITEM 1A. RISK FACTORS

Summary of Risk Factors

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

- We have a history of annual net losses attributable to common stockholders which may continue and which may negatively impact our ability to achieve our growth initiatives.
- We rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could materially harm our business.
- We may not be able to achieve the anticipated synergies and benefits from business acquisitions.
- We face risks related to health pandemics, wars, inflation, and other widespread outbreaks of contagious disease, including COVID-19 and its variants, or other potential causes of global instability which could significantly disrupt our operations and impact our financial results.
- We are subject to particular risks associated with real estate ownership, which could result in unanticipated losses or expenses.
- Our revenues may decline due to reductions in Medicare and Medicaid reimbursement rates.
- Our Healthcare 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.
- Operating results may be adversely affected by changes in the costs and availability of supplies and materials.
- Our quarterly and annual financial results are difficult to predict and are likely to fluctuate from period to period.
- We spend considerable time and money complying with federal and state laws, regulations, and other rules which may fluctuate based on healthcare policy, 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 develop, 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, 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.
- 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 United States Patent and Trademark Office ("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.
- Our goodwill and other long-lived assets are subject to potential impairment that could negatively impact our earnings.
- If KBS is unable to maintain or establish its relationships with independent dealers and contractors who sell its homes, KBS revenue could decline.

- Due to the nature of our business, many of our expenses are fixed costs and if there are decreases in demand for products, it may adversely affect operating results.
- Due to the nature of the work we and our subsidiaries perform, we may be subject to significant liability claims and disputes.
- Rising inflation and interest rates could negatively impact our revenues, profitability and borrowing costs. In addition, if our costs increase and we are not able to correspondingly adjust our commercial relationships to account for this increase, our net income would be adversely affected, and the adverse impact may be material.
- Our indebtedness could restrict our operations and make us more vulnerable to adverse economic conditions.
- The Company Loan Agreements (as defined herein) 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.
- 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 inability of our Company, Digirad Health, KBS, EdgeBuilder or any of our other subsidiaries to comply with applicable financial covenants under the Company Loan Agreements could have a material adverse effect on our financial condition.
- 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.
- The market price of our common stock may be volatile, and the value of your investment could decline significantly.
- Our common stock has a low trading volume and shares available under our equity compensation plans could affect the trading price of our common stock.
- If we cannot continue to satisfy the Nasdaq Global Market continued listing standards and other Nasdaq rules, our common stock could be delisted, which would harm our business, the trading price of our common stock, our ability to raise additional capital and the liquidity of the market for our common stock.
- A possible “short squeeze” due to a sudden increase in demand of our common stock that largely exceeds supply may lead to price volatility in our common stock.
- Payment of dividends on our common stock is prohibited unless we have declared and paid (or set apart for payment) full accumulated dividends on the Series A Preferred Stock, which also has a significant liquidation value.
- If we fail to pay dividends on our Series A Preferred Stock for six or more consecutive quarters, holders of our Series A Preferred Stock will be entitled to elect two additional directors to our board of directors.
- We may not be able to redeem our Series A Preferred Stock upon a Change of Control Triggering Event (as defined herein).
- As a smaller reporting company, we are subject to scaled disclosure requirements that may make it more challenging for investors to analyze and compare our results of operations and financial prospects.
- If securities or industry analysts do not publish research or reports about our business, or if they issue an adverse or misleading opinion regarding our stock, the price and trading volume of our securities could decline.
- The protective amendment contained in our Restated Certificate of Incorporation, which is intended to help preserve the value of certain income tax assets, primarily NOLs, may have unintended negative effects.
- Our stockholder rights plan, or “poison pill,” includes terms and conditions which could discourage a takeover or other transaction that stockholders may consider favorable.
- Anti-takeover provisions in our organizational documents and Delaware law may prevent or delay removal of current management or a change in control.
- We expect to be limited in our ability to utilize net operating loss carryforwards to reduce our future tax liability as a result of our recent Offering.

Risks Related to Our Business and Industry

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

Our total stockholders' equity increased to \$41.8 million as of December 31, 2022. For the year ended December 31, 2022, we had revenue of \$112.2 million, compared to revenue of \$106.6 million for the comparable period in 2021. We had a net loss attributable to common stockholders of \$7.2 million for the year ended December 31, 2022, compared to a net loss attributable to common stockholders of \$4.9 million for the comparable 2021 period. There can be no assurance that, even if our revenue increases, our future operations will result in net income attributable to common stockholders. Our failure to increase our revenues or improve our gross margins will harm our business. We may not be able to sustain or increase profitability on a quarterly or annual basis in the future. If our revenues grow more slowly than we anticipate, our gross margins fail to improve or our operating expenses exceed our expectations, our operating results will suffer. The prices we charge for our products and services may decrease, which would reduce our revenues and harm our business. If we are unable to sell our products at acceptable prices relative to our costs, or if we fail to develop and introduce on a timely basis new products from which we can derive additional revenues, our financial results will suffer.

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

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

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

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

Part of our business strategy is to acquire businesses that we believe can complement or expand our current business activities, both financially and strategically. In September 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 face risks related to health pandemics, wars, inflation, and other widespread outbreaks of contagious disease, including COVID-19 and its variants, or other potential causes of global instability which could significantly disrupt our operations and impact our financial results.

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

Additionally, during 2022 the global economy experienced high levels of inflation, rising interest rates, significant fluctuations in currency values, and increasing economic uncertainty, particularly in Europe. Our results of operations may be negatively impacted by higher costs of raw materials, labor and freight resulting from inflationary pressures. These factors and global events including the ongoing military conflict between Russia and Ukraine, a softening economy in Europe, and rising interest rates on our debt may also have a negative impact on our results.

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

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

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

We have historically experienced seasonality in all of our businesses, 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 have also experienced fluctuations in demand in our Construction division due to economic conditions and quarantine restrictions.

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

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

If our past or present operations are found to be in violation of any of the laws, regulations, rules, or policies described above or the other laws or regulations to which we or our customers are subject, we may be subject to civil and criminal penalties, damages, fines, 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.

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

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

A significant portion of our assets consists of goodwill and other long-lived assets, the carrying value of which may be reduced if we determine that those assets are impaired. At December 31, 2022, goodwill and net intangible assets represented \$19.4 million, or 26.5% of our total assets, and at December 31, 2021, goodwill and net intangible assets represented \$21.1 million, or 31.0% of our total assets. In addition, net property and equipment assets totaled \$8.3 million and \$8.9 million, or 11.4% and 13.1%, respectively, of our total assets at those dates. If actual results differ from the assumptions and estimates used in our goodwill and long-lived asset valuation calculations, we could incur impairment charges, which could negatively impact our earnings.

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

We recorded no impairment loss during the year ended December 31, 2022 and an impairment loss of \$3.4 million associated with the impairment assessment of the KBS reporting unit at December 31, 2021. See Note 2. *Basis of Presentation and Significant Accounting Policies*, and Note 7. *Goodwill*, within the notes to our accompanying consolidated financial statements for further discussion regarding goodwill and long-lived assets.

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

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

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

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

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

We and our wholly owned subsidiaries engage in services that can result in substantial injury or damages that may expose us to legal proceedings, investigations and disputes. For example, in the ordinary course of our business, we may be involved in legal disputes regarding personal injury and wrongful death claims, employee or labor disputes, professional liability claims, and general commercial disputes, as well as other claims. Lone Star Value Management, LLC, now a liquidated entity, previously was an exempt reporting advisor and subject to certain regulations which at times may prompt investigations by the SEC or other regulatory bodies into proper compliance therewith. An unfavorable legal ruling against us or our subsidiaries could result in substantial monetary damages. Although we have adopted a range of insurance, risk management, safety, and risk avoidance programs designed to reduce potential liabilities, there can be no assurance that such programs will protect us fully from all risks and liabilities. If we sustain liabilities that exceed our insurance coverage or for which we are not insured, it could have a material adverse impact on our results of operations and financial condition.

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

Inflation rates, particularly in the U.S., have increased recently to levels not seen in years. Increased inflation may result in decreased demand for our products, increased operating costs (including our labor costs), reduced liquidity, and limitations on our ability to access credit or otherwise raise debt and equity capital. In addition, the United States Federal Reserve has raised, and may again raise, interest rates in response to concerns about inflation. Increases in interest rates have had, and could continue to have, a material impact on our borrowing costs. In an inflationary environment, we may be unable to raise the sales prices of our products at or above the rate at which our costs increase, which could reduce our profit margins and have a material adverse effect on our financial results and net income. We also may experience lower than expected sales if there is a decrease in spending on products in our industry in general or a negative reaction to our pricing. A reduction in our revenue would be detrimental to our profitability and financial condition and could also have an adverse impact on our future growth.

Risks Related to our Indebtedness

On March 29, 2019, we and certain of the Healthcare subsidiaries entered into a Loan and Security Agreement with Sterling. On February 1, 2022, Sterling became part of Webster, and Webster became successor in interest to such Loan and Security Agreement (the “Webster Loan Agreement”). The Webster 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 “Webster Credit Facility”). As of December 31, 2022, our floating rate under this facility was 6.89%. On January 31, 2020, we and certain of our Investments subsidiaries entered into a Loan and Security Agreement with eCapital, formerly known as Gerber Finance Inc. (as amended, the “Star Loan Agreement”), which provides for a credit facility with borrowing availability of up to \$2.5 million, bearing interest at the prime rate plus 3.5% per annum, and matures on January 1, 2025, unless terminated in accordance with the terms therein (the “Star Loan”). On January 31, 2020, we and certain of our Construction subsidiaries entered into a Loan and Security Agreement with eCapital (the “EBGL Loan Agreement”), which provides for a credit facility with borrowing availability of up to \$4.0 million, bearing interest at the prime rate plus 2.75% per annum, and matures on June 30, 2023, subject to annual automatic extensions (the “EBGL Loan”). The credit facility under the Loan and Security Agreement, dated February 23, 2016, by and among us, KBS, ATRM, and eCapital (as amended, the “KBS Loan Agreement”) provides for a revolving credit facility of up to \$4.0 million, bearing interest at the prime rate plus 2.75%, that matures on June 30, 2023, subject to automatic extension for an additional year unless terminated. The Webster Loan Agreement, Star Loan Agreement, EBGL Loan Agreement and KBS Loan Agreement are collectively referred to as the “Company Loan Agreements.”

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 Webster Loan Agreement requires a balloon payment at the termination of the facility in March 2024, which payment 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 Webster 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 Webster Loan Agreement, there is insufficient borrowing availability under the Webster Loan Agreement, or if there is a default or event of default under the Webster 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 us, which could limit our ability to pay dividends. We may, therefore be required to reduce or eliminate our dividends, if any, including on our preferred stock (if any outstanding), and/or may be unable to redeem shares of our 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 us and our 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.

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 us and our subsidiaries and a pledge of all shares and equity interests of our 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 us and could cause such borrowers and/or us to become bankrupt or insolvent. Our obligations and the obligations of our various subsidiaries under the Company Loan Agreements are guaranteed by our other subsidiaries and/or us directly. 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 our Company, Digirad Health, KBS, EdgeBuilder or any of our other subsidiaries to comply with applicable financial covenants under the Company Loan Agreements could have a material adverse effect on our financial condition.

As of December 31, 2022, our last test date, Digirad Health was not in compliance with the quarterly financial covenants under the Webster Bank Loan Agreement. While we are in default, we continue to negotiate with Webster Bank and have not had any restrictions placed on our usage of the credit facility. We believe we will be in compliance during 2023.

As of December 31, 2022, our last test date, KBS was in compliance with the bi-annual financial covenants under the KBS Loan Agreement.

As of December 31, 2022, our last test date, EBGL was in compliance with the bi-annual financial covenants under the EBGL Loan Agreement.

As of December 31, 2022, our last test date, SRE was in compliance with the bi-annual financial covenants under the Star Loan Agreement.

If we or any of our subsidiaries fail to comply with any applicable financial covenants under the Company Loan Agreements to which we 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 Webster Loan Agreement and Star Loan Agreement 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

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

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

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

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

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

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

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

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

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

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

Unless full cumulative dividends on our preferred stock have been, or contemporaneously are, declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all past dividend periods, no dividends (other than a dividend in shares of common stock or other shares of stock ranking junior to the Series A Preferred Stock (as defined herein) as to dividends and upon liquidation) may be declared and paid or declared and set apart for payment on our common stock, nor may any shares of common stock be redeemed, purchased or otherwise acquired for any consideration by us. To the extent dividends are not paid on our preferred stock, cumulative dividends accrue as part of the liquidation value of our preferred stock, which has a liquidation value of \$10.00 per share at issuance. Dividends on our preferred stock are payable out of amounts legally available therefor at a rate equal to 10.0% per annum per \$10.00 of stated liquidation preference per share, or \$1.00 per share of our preferred stock per year. Dividends on our preferred stock are only payable in cash. As of December 31, 2022, there were 1,915,637 shares of our Series A Preferred Stock outstanding.

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

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

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

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

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

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

The trading market for our securities will be influenced by the research and reports that industry or securities analysts publish about us or our business. We currently have two securities and industry analysts providing research coverage. In the event 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.

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

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

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

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

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

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

The Rights Agreement imposes a significant penalty upon any person or group that acquires 4.99% or more (but less than 50%) of our then-outstanding common stock without the prior approval of our board of directors. A person or group that acquires shares of our common stock in excess of the applicable threshold, subject to certain limited exceptions, is called an “Acquiring Person.” Any rights held by an Acquiring Person are void and may not be exercised. The Rights will not be exercisable until the earlier of ten days after a public announcement by us that a person or group has become an Acquiring Person and ten business days (or a later date determined by our board of directors) after a person or group begins a tender or an exchange offer that, if completed, would result in that person or group becoming an acquiring person. On the date (if any) that the Rights become exercisable (the “Distribution Date”), each Right would allow its holder to purchase one one-thousandth of a share of Preferred Stock for a purchase price of \$12.00. In addition, if a person or group becomes an Acquiring Person after the Distribution Date or already is an Acquiring Person and acquires more shares after the Distribution Date, all holders of Rights, except the Acquiring Person, may exercise their rights to purchase a number of shares of the common stock (in lieu of preferred stock) with a market value of twice the Exercise Price, upon payment of the purchase price.

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

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

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

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

We expect to be limited in our ability to utilize net operating loss carryforwards to reduce our future tax liability as a result of our recent Offering.

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Effective January 1, 2021, we moved our principal executive offices from Suwanee, GA to Old Greenwich, CT, where we lease 2,006 square feet of office space.

We maintain a lease for 7,500 square feet of office space in Suwanee, GA for our healthcare business. We also lease a 21,300 square foot facility in Poway, CA that houses our Diagnostic Imaging operations. Diagnostic Services leases approximately 24 small hub locations in the various states in which we operate. These hubs primarily house our fleet of mobile imaging cameras and vans.

In April 2019, our Investments division (through Star Real Estate "SRE") acquired three manufacturing facilities in Maine, which it then leased back to KBS in our construction segment. These include KBS' 84,800 square foot main production facility in South Paris, ME, as well as a 92,200 square foot manufacturing facility in Oxford, ME, and a 61,900 square foot manufacturing facility in Waterford, ME.

We utilize three additional facilities in our construction businesses, related specifically to EBGL. In October 2021, we extended two existing leases, a 10,800 square foot office/sales/showroom space in Oakdale, MN and a 34,200 square foot production facility in Prescott, WI. In addition, we entered into a new lease in October 2021 for 22,800 square feet of lumberyard/warehouse space in Hudson, WI.

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

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information

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

As of March 7, 2023 there were approximately 164 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, 2022 – October 31, 2022	—	—	—	200,000
November 1, 2022 – November 30, 2022	—	—	—	200,000
December 1, 2022 – December 31, 2022	—	—	—	200,000
Total	—	—	—	200,000

- (1) On October 31, 2018, our board of directors approved a stock repurchase program that will enable us to repurchase up to 200,000 shares of our common stock from time to time in market or private transactions (the "2018 Buyback Program"). Under the 2018 Buyback Program, we may purchase shares of our common stock through various means, including open market transactions in compliance with Rule 10b-18 under the Exchange Act, privately negotiated transactions, tender offers or any combination thereof. The number of shares repurchased and the timing of repurchases will depend on a number of factors, including, but not limited to, stock price, trading volume and general market conditions, along with our working capital requirements, general business conditions and other factors. The 2018 Buyback Program has no time limit and may be modified, suspended or terminated at any time by our board of directors. Repurchases under the 2018 Buyback Program will be funded from our existing cash and cash equivalents or future cash flow and equity or debt financings.
- (2) As of December 31, 2022, there were no cumulative shares purchased as part of the 2018 Buyback Program and 200,000 shares that may yet be purchased under the 2018 Buyback Program.

Securities Authorized for Issuance Under Equity Compensation Plans

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

ITEM 6. [RESERVED]

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

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

Overview

Star Equity Holdings, Inc. ("Star Equity", the "Company", "we", "our") is a multi-industry diversified holding company with three divisions. Our operating divisions participate in two key industry sectors of the economy, Healthcare and Construction. In addition, we have an internally funded Investments division.

Our Healthcare division, which operates as Digirad Health, Inc. ("Digirad Health"), provides products and services in the area of nuclear medical imaging with a focus on cardiac health. Digirad Health operates across the United States and comprises two lines of business—imaging services offered to healthcare providers using a fleet of our proprietary solid-state gamma cameras and the manufacturing, distribution, and maintenance of our proprietary solid-state gamma cameras.

Our Construction division is made up of three operating businesses: KBS Builders, Inc. ("KBS"), EdgeBuilder, Inc. ("EdgeBuilder"), and Glenbrook Building Supply, Inc. ("Glenbrook"), with the latter two managed together and referred to jointly as "EBGL". KBS is based in Maine and manufactures modular buildings for installation principally in New England. EBGL is based in the Minneapolis-Saint Paul area and principally serves the Upper Midwest. Together, the EBGL businesses manufacture and deliver structural wall panels and other engineered wood-based products, as well as distribute building materials primarily to professional builder customers.

Currently, our Investments division is an internally funded unit directly supervised by Star Equity management. This entity currently holds our corporate-owned real estate, which currently includes our three manufacturing facilities in Maine that are leased to KBS. Also, this unit holds several minority investments in other small public companies.

Current Market Conditions

We expect that the majority of the negative effects of the COVID-19 pandemic are now behind us. Since early 2021, the vaccine rollout has gradually allowed us to return to a more normal operating environment. Our Healthcare business has now returned to pre-COVID levels. Our Construction business continued to benefit in 2022 from a strong housing market on the demand side. Supply chains have improved, but the labor market remains tight.

The target market for our Healthcare products and services is comprised of cardiologists, internal medicine physicians, family practice physicians, hospitals, integrated delivery networks, and federal institutions in the United States that perform or could perform a diagnostic imaging procedure or have interest in purchasing diagnostic imaging products. Our Healthcare businesses currently operate in approximately 43 states. During the twelve months ended December 31, 2022, we witnessed a return to pre-COVID volume of imaging, although we have seen some negative impacts from the continuing nationwide shortage of Nuclear Medicine Technologists, as well as a temporary radiopharmaceutical supply disruption in late 2022.

The target customers for our Construction division include professional home builders, general contractors, project owners, developers, and design firms. Housing demand remained strong throughout 2022, despite large interest rate increases. Supply chains also improved. While still volatile, materials prices eased in the second half of 2022. We benefited from having implemented both price increases and margin protection language in our contracts and this had a significantly positive effect on our profitability in 2022.

Trends and Drivers

Our Healthcare division's market for diagnostic products and services is highly competitive. Our business, which is focused primarily on private practices and hospitals, 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, the 2010 Healthcare Reform laws, the COVID-19 pandemic impact, and general uncertainty in overall healthcare and legislative changes in healthcare, such as the Affordable Care Act. These challenges have impacted, and will likely continue to impact, our operations. We believe that the principal competitive factors in our market include budget availability for our capital equipment, qualifications for reimbursement, pricing, ease-of-use, reliability, and mobility. We have addressed, and will continue to address, these market pressures by modifying our Healthcare business models, and by assisting our healthcare customers in complying with new regulations and requirements.

In our Construction division, we continue to see a greater adoption of offsite or prefab construction in single-family and multi-family residential building projects in our target market. Our modular units and structural wall panels offer builders a number of benefits over traditional onsite or “stick built” construction. These include shorter time to market, higher quality, reduced waste, and potential cost savings, among others. 3D 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 growth of factory built housing.

Risks arising from global economic instability and conflicts, wars, and health crises could impact our business. In addition the inflation caused by such events may impact demand for our products and services and our cost to provide products and services.

Discontinued Operations

The DMS Sale Transaction (as defined in Note 3 to our consolidated financial statements) was completed on March 31, 2021, for \$18.75 million in cash. After certain adjustments, including a working capital adjustment, we received an immaterial net escrow settlement in January 2022. The sale of MDOS (as defined in Note 2 to our consolidated financial statements) was completed on February 1, 2021 for the original principal amount of \$1.4 million and entry into multi-year service and support agreements between MDOSCA and Digirad Health.

Goodwill valuation

We review goodwill for impairment on an annual basis during the fourth quarter, and when events or changes in circumstances indicate that a reduction in the carrying value may not be recoverable. We recognize an impairment charge if we determine that the carrying value of the reporting unit exceeds its fair value and such loss should not exceed the total goodwill allocated to the reporting unit. No impairment of goodwill was recorded in 2022.

We also review long-lived assets for impairment, when events or changes in circumstances indicate that a reduction in the carrying value may not be recoverable. There are numerous factors that may cause the fair value of a reporting unit to fall below its carrying amount and/or that may cause the value of long-lived assets to not be recoverable, which could lead to the measurement and recognition of long-lived asset impairment charges. These factors include, but are not limited to, significant negative variances between actual and expected financial results, lowered expectations of future financial results, failure to realize anticipated synergies from acquisitions, adverse changes in the business climate, and the loss of key personnel. As of December 31, 2022 we performed qualitative trigger events analysis and concluded that if we are not able to achieve projected performance levels, future impairments could be possible, which could negatively impact our earnings. Based on the results of this qualitative assessment, we determined that it is more likely than not that long-lived assets were not impaired.

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

2022 Financial Highlights

2022 Revenues were \$112.2 million, representing an increase of \$5.6 million, or 5.2%, over 2021 Revenues of \$106.6 million. This increase was driven by Construction division revenue growth of \$9.1 million primarily related to a higher number of projects completed and increased pricing at KBS and EBGL. This was partially offset by a Healthcare division revenue decline of \$3.6 million primarily related to fewer total scanning days due to the national shortage of Nuclear Medicine Technologists and a temporary shortage of radiopharmaceuticals.

2022 Gross profit was \$25.9 million, representing an increase of \$10.6 million, or 69.8%, over 2021 Gross profit of \$15.2 million. The increase is primarily due to a rise in Construction division Gross profit by \$9.7 million related to increased pricing levels in 2022 in addition to a rise of \$1.1 million in Healthcare division Gross profit due to improved revenue mix.

2022 Operating expenses were \$29.0 million, representing an increase of \$2.1 million, or 8%, over 2021 total Operating Expenses of \$26.8 million. The increase of \$2.1 million is primarily due to additional \$4.7 million in sales, marketing, and general and administrative expenses in 2022. In 2021, Operating expenses included an impairment of goodwill in the Construction division, which was offset by a gain on the sale of MDOS.

2022 Loss from continuing operations, net of income taxes, was \$5.3 million which reflects improved results compared to 2021 Loss from continuing operations, net of tax, of \$8.9 million. These improved results were primarily driven by an increase in Gross profit of \$10.7 million from our operating segments, offset by higher overall Operating expenses of \$2.1 million. 2021 Other income (expense) was aided by a gain on PPP loan forgiveness of \$4.2 million.

Use of EBITDA (Non-GAAP measure)

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

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

\$ in thousands	Year Ended December 31,	
	2022	2021
Net income (loss)	\$ (5,252)	\$ (2,983)
Adjustment for income (loss) from discontinued operations, net of income taxes	—	5,948
Loss from continuing operations	(5,252)	(8,931)
Adjustments to loss from continuing operations		
Depreciation and amortization	3,535	3,472
Interest expense, net	975	905
Provision for income taxes	174	60
Total adjustments from income (loss) from continuing operations to EBITDA	4,684	4,437
EBITDA from continuing operations	\$ (568)	\$ (4,494)

Results of Operations

Comparison of Years Ended December 31, 2022 and 2021

The following table sets forth our results from operations for the years ended December 31, 2022 and 2021 (in thousands):

	Year ended December 31,				Change from Prior Year	
	2022	% of Revenues	2021	% of Revenues *	Dollars	Percent
Total revenues	\$ 112,151	100.0 %	\$ 106,559	100.0 %	\$ 5,592	5.2 %
Total cost of revenues	86,272	76.9 %	91,319	85.7 %	(5,047)	(5.5)%
Gross profit	25,879	23.1 %	15,240	14.3 %	10,639	69.8 %
Operating expenses:						
Selling, general and administrative	27,264	24.3 %	22,595	21.2 %	4,669	20.7 %
Amortization of intangible assets	1,720	1.5 %	1,728	1.6 %	(8)	(0.5)%
Goodwill impairment	—	— %	3,359	3.2 %	(3,359)	(100.0)%
Gain on sale of MDOS	—	— %	(847)	(0.8)%	847	(100.0)%
Total operating expenses	28,984	25.8 %	26,835	25.2 %	2,149	8.0 %
Net income (loss) from continuing operations	(3,105)	(2.8)%	(11,595)	(10.9)%	8,490	(73.2)%
Other (expenses) income	(998)	(0.9)%	(550)	(0.5)%	(448)	81.5 %
Interest expense, net	(975)	(0.9)%	(905)	(0.8)%	(70)	7.7 %
Gain on forgiveness of PPP loans	—	— %	4,179	3.9 %	(4,179)	(100.0)%
Total other income (loss)	(1,973)	(1.8)%	2,724	2.6 %	(4,697)	(172.4)%
Income (loss) from continuing operations before income taxes	(5,078)	(4.5)%	(8,871)	(8.3)%	3,793	(42.8)%
Income tax provision	(174)	(0.2)%	(60)	(0.1)%	(114)	190.0 %
Income (loss) from continuing operations, net of income taxes	(5,252)	(4.7)%	(8,931)	(8.4)%	3,679	(41.2)%
Income (loss) from discontinued operations, net of income taxes	—	— %	5,948	5.6 %	(5,948)	(100.0)%
Net income (loss)	\$ (5,252)	(4.7)%	\$ (2,983)	(2.8)%	\$ (2,269)	76.1 %

*Percentage may not add due to rounding

Revenues

Healthcare

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

	Year Ended December 31,			
	2022	2021	\$ Change	% Change
Healthcare Revenue	\$ 55,002	\$ 58,556	\$ (3,554)	(6.1)%

Healthcare revenue decreased 6.1% compared to the prior year driven primarily by a decrease in revenue from fewer camera sales in 2022 and fewer total scanning days due to the national shortage of nuclear medicine technologists and a temporary shortage of radiopharmaceuticals.

Construction

Construction revenue is summarized as follows (in thousands):

	Year Ended December 31,			
	2022	2021	\$ Change	% Change
Construction Revenue	\$ 57,149	\$ 48,003	\$ 9,146	19.1 %

Construction revenue increased 19.1% primarily due to a higher number of projects completed of varying sizes and increased pricing at KBS and EBGL.

Gross Profit

Healthcare Gross Profit

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

	Year Ended December 31,		
	2022	2021	% Change
Healthcare gross profit (loss)	\$ 13,509	\$ 12,459	8.4 %
Healthcare gross margin	24.6 %	21.3 %	

The increase in Healthcare gross margin percentage was mainly due to favorable mix of product and service revenues.

Construction Gross Profit

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

	Year Ended December 31,		
	2022	2021	% Change
Construction gross profit (loss)	\$ 12,660	\$ 3,008	320.9 %
Construction gross margin	22.2 %	6.3 %	

The increase in Construction gross profit and gross margin was predominately due to increases in revenue at KBS and EBGL for large commercial projects. We have significantly increased prices to offset higher input costs and have seen an improvement in our gross margin overall in 2022. Our backlog and sales pipeline remain strong despite economic headwinds.

Investments Gross Loss

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

	Year Ended December 31,		
	2022	2021	% Change
Investments gross profit (loss)	\$ (290)	\$ (227)	(27.8)%

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

Operating Expenses

Operating expenses are summarized as follows (in thousands):

	Year Ended December 31,				Percent of Revenues	
	2022	2021	\$ Change	% Change	2022	2021
Selling, general and administrative	\$ 27,264	\$ 22,595	\$ 4,669	20.7 %	24.3 %	21.2 %
Amortization of intangible assets	1,720	1,728	(8)	(0.5)%	1.5 %	1.6 %
Goodwill impairment	—	3,359	(3,359)	(100.0)%	— %	3.2 %
Gain on sale of MDOS	—	(847)	847	N/M	— %	(0.8)%
Total operating expenses	\$ 28,984	\$ 26,835	\$ 2,149	8.0 %	25.8 %	25.2 %

On a consolidated basis, total operating expenses increased by \$2.1 million. Sales, general and administrative expenses (SG&A) increased by \$4.7 million. The largest components of the increase were \$3.0 million in one-time legal costs and \$0.8 million in retention and severance costs, both related to our healthcare segment.

Goodwill non-cash impairment charges were \$3.4 million in 2021, primarily as a result of an impairment recorded during the fourth quarter of 2021 in our KBS reporting unit. See Note 7. *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,	
	2022	2021
Other income (expense)	\$ (998)	\$ (550)
Interest expense, net	(975)	(905)
Gain on forgiveness of PPP loans	—	4,179
Total other income (expense)	\$ (1,973)	\$ 2,724

Other income (expense) for the year ended December 31, 2022 and 2021 includes unrealized losses within our investment division and interest expense. In 2021 other income (expense) included \$4.2 million in Paycheck Protection Program (“PPP”) loan forgiveness from the Healthcare and Construction businesses.

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, 2022, and 2021, a tax provision of \$0.2 million and \$0.1 million were recorded, in both years respectively. For the year ended December 31, 2021, we recorded a benefit of \$79 thousand to discontinued operations.

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

Net income (loss) from Discontinued Operations

As described in Note 3. *Discontinued Operations*, within the notes to our accompanying consolidated financial statements, the results of our 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, 2022, net cash used in operating activities was \$3.9 million, as compared to \$6.5 million used in 2021. The improvement in net cash used in operating activities is attributable to better operating performance, particularly at our Construction Division. In 2021 consolidated net income included non-cash items related to the gain on sale of our DMS Health Technologies, Inc. (“DMS Health”) and MD Office Solutions businesses, and PPP loan forgiveness.

Cash Flows from Investing Activities

For the year ended December 31, 2022, net cash used in investing activities was \$5.1 million, which principally consists of purchases of equity securities of \$4.4 million, as we expanded our Investments Division. For the year ended December 31, 2021, net cash provided by investing activities was \$17.8 million, which was primarily attributable to the proceeds we received from the sale of DMS for \$18.75 million.

Cash Flows from Financing Activities

For the year ended December 31, 2022, net cash provided by financing activities was \$8.9 million, as compared to net cash used in financing activities of \$10.0 million in 2021. The increase in cash provided by financing activities was primarily due to net proceeds of \$12.7 million raised through our 2022 public equity offering offset by debt repayments in 2022 of \$6.2 million.

Summary of Cash Flows

The following table shows cash flow information for the years ended December 31, 2022 and 2021 (in thousands):

	Year Ended December 31,	
	2022	2021
Net cash used in operating activities	\$ (3,857)	\$ (6,450)
Net cash (used in) provided by investing activities	\$ (5,093)	\$ 17,802
Net cash provided by (used in) financing activities	\$ 8,941	\$ (9,975)

Sources of Liquidity

Our principal sources of liquidity are our existing cash and cash equivalents, cash generated from operations, cash available on our revolving lines of credit from our credit facility with Webster Bank, N.A., a national banking association (“Webster”), as successor in interest to Sterling National Bank (“Sterling”), our three credit facilities with eCapital Asset Based Lending Corp., formerly known as Gerber Finance Inc. (“eCapital”), and cash raised from equity financings. As of December 31, 2022, we had \$4.7 million of cash and cash equivalents. Two eCapital revolving credit facilities directly support our Construction businesses. As of December 31, 2022, we had additional borrowing capacity of \$1.3 million and no amounts outstanding on the KBS revolver. We were at a \$2.6 million outstanding balance at EBGL and they had additional borrowing capacity of \$0.4 million under their facility. Both facilities have a \$4 million maximum limit depending on prevailing collateral levels, mainly A/R and inventory, at each business. We were at an \$8.3 million outstanding balance and an additional borrowing capacity of \$0.3 million on the Webster Credit Facility (as defined below), which primarily support the healthcare business. In January 2022, we successfully completed the 2022 Public Offering with net proceeds of \$12.7 million.

Liquidity and Management’s Plan

At December 31, 2022, the Company identified certain conditions and events which in the aggregate required management to perform an assessment of the Company’s ability to continue as a going concern. These conditions included the Company’s recurring losses from operations, accumulated deficit position and negative cash flows from operations. In addition, we were not in compliance with our Webster Loan Agreement covenants and we had not obtained a waiver of noncompliance. The balance of the outstanding Webster Bank debt is \$8.3 million as of December 31, 2022 (see Note 8. *Debt*). Upon the occurrence and during the continuation of an event of default under the Webster Loan Agreement, Webster may, among other things, declare the loan immediately due and payable and increase the interest rate at which the loan bears interest. As a result of the above factors, management has performed an analysis to evaluate the entity’s ability to continue as a going concern for one year after the financial statements issuance date.

As of December 31, 2022, cash and cash equivalents amounted to \$4.7 million and our investments in publicly traded companies amounted to \$3.5 million. We have borrowing capacity on all lines of credit aggregating \$2.0 million as of December 31, 2022. Management has projected positive cash flow generation for the next 12 months from the issuance date of these financial statements. Such projections take past performance into consideration and also give consideration to repayment of the Webster Loan balance in advance of the maturity date. Our forecasts are dependent on our ability to maintain margins at our operating companies which includes achieving levels of booked orders, minimize expenses and generate certain free cash flow benchmarks through March 31, 2024.

Based on management’s analysis the Company believes that projected cash flows from operations, together with existing working capital, booked orders, expense management and existing and projected borrowing capacity will be sufficient to fund operations at current and projected levels and to repay debt obligations over the next twelve months, and we anticipate that we will be back in compliance with the Webster Loan Agreement covenants in 2023. However, there can be no assurance that we will be able to do so. As a result of management’s analysis, we believe that the conditions that led us to conclude substantial doubt in prior periods have been alleviated. As a result of recurring losses, the continued viability of the Company beyond March 2024 may be dependent on its ability to continue to raise additional capital to finance its operations. There can be no assurance on the availability or terms upon financing and capital that might be available in the future, if necessary.

Common Stock Offerings

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

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

As of December 31, 2022, of the warrants issued through the 2020 Public Offering, 1.0 million warrants were exercised and 1.4 million warrants remained outstanding, which represents 0.7 million shares of common stock equivalents, at an exercise price of \$2.25. As of December 31, 2022, of the Warrants issued through the 2022 Public Offering, there were 10.9 million Warrants and 0.3 million prefunded warrants outstanding at an exercise price of \$1.50 and \$0.01, respectively. The Underwriter's Warrants have not been exercised.

Credit Facilities

Webster Credit Facility

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

The Webster 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 "Webster Credit Facility"). As of December 31, 2022, the Company had \$0.1 million of letters of credit outstanding and had additional borrowing capacity of \$0.3 million under the Webster Credit Facility. Financial covenants require that the borrowers under the Webster Loan Agreement maintain (a) a fixed charge coverage ratio as of the last day of a fiscal quarter of not less than 1.25 to 1.0 and (b) a leverage ratio as of the last day of such fiscal quarter of no greater than 3.50 to 1.0. As of December 31, 2022 the Company was not in compliance with the covenants under the Webster Loan Agreement and had not yet obtained a waiver from Webster for these financial covenant breaches.

eCapital Credit Facilities

EdgeBuilder and Glenbrook (the "EBGL Borrowers") are parties to a Loan and Security Agreement with eCapital (the "EBGL Loan Agreement"), providing for a \$4.0 million credit facility which matures in June 2023 with an auto-renewal of one year thereafter (the "EBGL Loan"). As of December 31, 2022, EBGL had additional borrowing capacity of \$0.4 million under the facility. As of December 31, 2022, \$2.6 million was outstanding under the EBGL Loan Agreement. As of December 31, 2022, EBGL was in compliance with the bi-annual financial covenants under the EBGL Loan Agreement.

Financial covenants require that EBGL maintain (a) a lower net cash income (as defined in the EBGL Loan Agreement) at least equal to no less than \$0 for the trailing 6-month period ending June 30, 2022 and no less than \$1,000,000 for the trailing fiscal year ending December 31, 2022 and (b) a reduced minimum EBITDA (as defined in the EBGL Loan Agreement) to be no less than \$0 as of June 30, 2022 and no less than \$1,000,000 as of the fiscal year ending December 31, 2022.

KBS has a \$4.0 million credit facility with eCapital (the "KBS Loan Agreement"), which matures in June 2023 with an auto-renewal of one year thereafter. As of December 31, 2022, KBS had additional borrowing capacity of \$1.3 million under the facility. As of December 31, 2022, \$0.0 million was outstanding under the KBS Loan Agreement. As of December 31, 2022, KBS was in compliance with the bi-annual financial covenants under the KBS Loan Agreement.

Financial covenants require that KBS maintain (a) net cash income (as defined in the KBS Loan Agreement) of at least equal to no less than \$0 for the trailing 6-month period ending June 30, 2022 and be no less than \$500,000 for the trailing fiscal year end and (b) a minimum EBITDA (as defined in the KBS Loan Agreement) of no less than \$0 as of June 30 and no less than \$850,000 as of the fiscal year end.

Term Loan

We and certain of our Investments subsidiaries (collectively, the "Star Borrowers") are party to a Loan and Security Agreement with eCapital, as successor in interest to Gerber Finance, Inc. (as amended, the "Star Loan Agreement"), which provides for a credit facility with borrowing availability of up to \$2.5 million, bearing interest at the prime rate plus 3.5% per annum, and matures on January 31, 2025, unless terminated in accordance with the terms therein (the "Star Loan"). As of December 31, 2022, the short term loan includes \$0.8 million of the Star Loan, net of issuance costs.

The Star Loan is secured by the assets of SRE, 947 Waterford Road, LLC, 300 Park Street, LLC and 56 Mechanic Falls Road, LLC and guaranteed by the Company. The Star Loan is subject to certain annual financial covenants. The financial covenants under the Star Loan Agreement include maintenance of a debt service coverage ratio of not less than 1:00 to 1:00, as defined in the Star Loan Agreement. The occurrence of any event of default under the Star Loan Agreement may result in the obligations of the Star Borrowers becoming immediately due and payable. As of December 31, 2022, no event of default was deemed to have occurred and the Star Borrowers were in compliance with the annual financial covenants under the Star Loan Agreement measured as of December 31, 2022.

Paycheck Protection Program

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

All PPP loans were forgiven, resulting in a gain of \$4.2 million in 2021.

See Note 8. *Debt* in the accompanying notes to the financial statements for further details.

Off-Balance Sheet Arrangements

As of December 31, 2022, there were no off balance sheet arrangements.

Critical Accounting Policies

Management’s discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which are prepared in accordance with United States generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, related disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. We evaluate our estimates and judgments, the most critical of which are those related to revenue recognition, 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.

Revenue Recognition

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

Revenue recognition is evaluated on a contract basis. Performance obligations are satisfied over time as work progresses or at a point in time. From time-to-time we enter into contracts within our construction sector that produce assets with no alternative use and contain an enforceable right to payment, including a reasonable profit margin. Determining if an enforceable right to payment includes a reasonable profit margin requires judgment and is assessed on a contract by contract basis. For contracts requiring over time revenue recognition, the selection of the method to measure progress towards completion requires judgment and is based on the nature of the products or services to be provided. We use a cost-based input measurement of progress because it best depicts the transfer of assets to the customer, which occurs as costs are incurred during the manufacturing process or as services are rendered. Under the cost-based measure of progress, the extent of progress towards completion is measured based on the costs incurred to date. There were no such contracts outstanding as of December 31, 2022 and 2021.

Goodwill Valuation

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

There are numerous factors that may cause the fair value of a reporting unit to fall below its carrying amount and/or that may cause the value of long-lived assets to not be recoverable, which could lead to the measurement and recognition of goodwill and/or long-lived asset impairment charges. These factors include, but are not limited to, significant negative variances between actual and expected financial results, lowered expectations of future financial results, failure to realize anticipated synergies from acquisitions, adverse changes in the business climate, and the loss of key personnel. As of December 31, 2022, we performed a qualitative assessment and did not identify any triggering events that would lead to the performance of a quantitative analysis. We recorded goodwill impairment of \$3.4 million for the KBS reporting unit during the year ended December 31, 2021. See Note 7. *Goodwill*, within the notes to our consolidated financial statements, for further information.

Income Taxes

We provide for income taxes under the asset and liability method. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of differences between the tax basis of assets or liabilities and their carrying amounts in the financial statements. We provide a valuation allowance for deferred tax assets if it is more likely than not that these items will expire before we are able to realize their benefit. We calculate the valuation allowance in accordance with the authoritative guidance relating to income taxes, which requires an assessment of both positive and negative evidence regarding the realizability of these deferred tax assets 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 2. *Basis of Presentation and Significant Accounting Policies*, within the notes to our accompanying consolidated financial statements for discussion of our discussion of new accounting pronouncements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Debt obligations under all 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 \$0.1 million, assuming related line of credit of \$11.7 million, which is the amount of outstanding borrowings at December 31, 2022.

At December 31, 2022, the Company's borrowings under the Company Loan Agreements are all at variable rates.

ITEM 8.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
STAR EQUITY HOLDINGS, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
<u>Reports of Independent Registered Public Accounting Firms (Wolf & Company, P.C., Boston, MA, PCAOB ID # 392, BDO USA, LLP, San Diego, CA, PCAOB ID # 243)</u>	<u>42</u>
<u>Consolidated Statements of Operations for the Years Ended December 31, 2022 and 2021</u>	<u>44</u>
<u>Consolidated Balance Sheets at December 31, 2022 and 2021</u>	<u>45</u>
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2022 and 2021</u>	<u>47</u>
<u>Consolidated Statements of Mezzanine and Stockholders' Equity for the Years Ended December 31, 2022 and 2021</u>	<u>49</u>
<u>Notes to Consolidated Financial Statements</u>	<u>50</u>

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Star Equity Holdings, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Star Equity Holdings, Inc. (the Company) as of December 31, 2022, the related consolidated statements of operations, stockholders' equity and cash flows, for the year then ended, and the related notes (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

Critical Audit Matters

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

The assessment of the Company's ability to continue as a going concern

As discussed in Note 2 to the financial statements, such financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company has identified conditions that raise substantial doubt about its ability to continue as a going concern and has concluded that such substantial doubt is alleviated as a result of consideration of their plans.

We identified management's assessment of their ability to continue as a going concern as a critical audit matter. Significant auditor judgment was required to evaluate certain key assumptions regarding the cash flow projections, including the timing of repayment of debt obligations.

The primary procedures we performed to address this critical audit matter included (i) evaluating the significant assumptions used in developing financial projections (ii) evaluating the sensitivity to change of assumptions used, including the timing of repayment of debt obligations currently in default and (iii) assessing management's financial projections in the context of other audit evidence obtained during the audit and historical performance to determine whether it was contradictory to the conclusion reached by management.

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

/s/ Wolf & Company, P.C.

Boston, Massachusetts
March 15, 2023

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 sheet of Star Equity Holdings, Inc. (the “Company”) as of December 31, 2021, the related consolidated statements of operations, consolidated mezzanine and stockholders’ equity, and consolidated cash flows for the year ended December 31, 2021, 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, 2021, and the results of its operations and its cash flows for the year ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Going Concern Uncertainty

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has incurred losses from continuing operations for the year ended December 31, 2021 and has an accumulated deficit as of December 31, 2021. The Company is currently forecasting a potential covenant breach for its loan within twelve months after the date the financial statements are issued. These factors raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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 audit. 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 audit 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 audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit 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 audit 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 audit provide a reasonable basis for our opinion.

/s/ BDO USA, LLP

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

March 31, 2022, except for Note 1, Healthcare Service Revenue Recognition and Healthcare Product and Product-Related Revenue Recognition paragraphs of Note 2, Note 4 and Note 15 which is dated June 17, 2022. In 2022 we became the predecessor auditor.

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

	Year ended December 31,	
	2022	2021
Revenues:		
Healthcare	\$ 55,002	\$ 58,556
Construction	57,149	48,003
Investments	—	—
Total revenues	<u>112,151</u>	<u>106,559</u>
Cost of revenues:		
Healthcare	41,493	46,097
Construction	44,489	44,995
Investments	290	227
Total cost of revenues	<u>86,272</u>	<u>91,319</u>
Gross profit	25,879	15,240
Operating expenses:		
Selling, general and administrative	27,264	22,595
Amortization of intangible assets	1,720	1,728
Goodwill impairment	—	3,359
Gain on sale of MD Office Solutions	—	(847)
Total operating expenses	<u>28,984</u>	<u>26,835</u>
Net income (loss) from continuing operations	(3,105)	(11,595)
Other income (expense):		
Other income (expense), net	(998)	(550)
Interest expense, net	(975)	(905)
Gain on forgiveness of PPP loans	—	4,179
Total other income (expense), net	<u>(1,973)</u>	<u>2,724</u>
Income (loss) from continuing operations before income taxes	(5,078)	(8,871)
Income tax provision	(174)	(60)
Income (loss) from continuing operations, net of tax	(5,252)	(8,931)
Income (loss) from discontinued operations, net of tax	—	5,948
Net income (loss)	(5,252)	(2,983)
Deemed dividend on Series A perpetual preferred stock	(1,916)	(1,906)
Net income (loss) attributable to common stockholders	<u>\$ (7,168)</u>	<u>\$ (4,889)</u>
Net income (loss) per share - basic and diluted		
Net income (loss) per share, continuing operations	\$ (0.36)	\$ (1.76)
Net income (loss) per share, discontinued operations	\$ —	\$ 1.17
Net income (loss) per share - basic and diluted*	\$ (0.36)	\$ (0.59)
Deemed dividend on Series A cumulative perpetual preferred stock per share	\$ (0.13)	\$ (0.37)
Net income (loss) per share, attributable to common stockholders - basic and diluted	\$ (0.49)	\$ (0.96)
Weighted-average common shares outstanding – basic and diluted	14,751	5,085
Dividends declared per share of Series A perpetual preferred stock	\$ 1.00	\$ 2.31

*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,	
	2022	2021
Assets:		
Current assets:		
Cash and cash equivalents	\$ 4,665	\$ 4,538
Restricted cash	142	278
Investments in equity securities	3,490	47
Lumber derivative contracts	—	666
Accounts receivable, net of allowances of \$714 and \$843, respectively	17,756	15,811
Inventories, net	10,627	8,525
Other current assets	2,587	1,998
Total current assets	39,267	31,863
Property and equipment, net	8,348	8,918
Operating lease right-of-use assets, net	4,482	4,494
Intangible assets, net	13,352	15,072
Goodwill	6,046	6,046
Other assets	1,807	1,659
Total assets	<u>\$ 73,302</u>	<u>\$ 68,052</u>
Liabilities, Mezzanine Equity and Stockholders' Equity:		
Current liabilities:		
Accounts payable	\$ 3,430	\$ 4,277
Accrued liabilities	3,137	2,445
Accrued compensation	3,701	3,051
Accrued warranty	291	569
Lumber derivative contracts	104	—
Billings in excess of costs and estimated profit	—	312
Deferred revenue	3,376	2,457
Short-term debt	11,682	12,869
Operating lease liabilities	1,427	1,253
Finance lease liabilities	397	588
Total current liabilities	27,545	27,821
Deferred tax liabilities	176	72
Operating lease liabilities, net of current portion	3,141	3,299
Finance lease liabilities, net of current portion	386	706
Other liabilities	299	412
Total liabilities	31,547	32,310
Commitments and contingencies (Note 9)		
Preferred stock, \$0.0001 par value: 10,000,000 shares authorized: Series A Preferred Stock, 8,000,000 shares authorized, liquidation preference (\$10.00 per share), 1,915,637 shares issued and outstanding at December 31, 2021. (Liquidation preference: \$18,988,390 as of December 31, 2021.)	—	18,988
Stockholders' equity:		
Preferred stock, \$0.0001 par value: 10,000,000 shares authorized: Series A Preferred Stock, 8,000,000 shares authorized, liquidation preference (10.00 per share), 1,915,637 shares issued and outstanding at December 31, 2022. (Liquidation preference: \$18,988,390 as of December 31, 2022.)	18,988	—
Preferred stock, \$0.0001 par value: 25,000 shares authorized; Series C Preferred stock, no shares issued or outstanding	—	—
Common stock, \$0.0001 par value: 50,000,000 and 30,000,000 shares authorized; 15,177,919 and 5,805,916 shares issued and outstanding (net of treasury shares) at December 31, 2022 and 2021, respectively	1	—

Treasury stock, at cost; 258,849 shares at December 31, 2022 and 2021, respectively	(5,728)	(5,728)
Additional paid-in capital	161,715	150,451
Accumulated deficit	(133,221)	(127,969)
Total stockholders' equity	41,755	16,754
Total liabilities, mezzanine equity and stockholders' equity	\$ 73,302	\$ 68,052

See accompanying notes to consolidated financial statements.

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

	Year ended December 31,	
	2022	2021
Operating activities		
Net income (loss)	\$ (5,252)	\$ (2,983)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation of property and equipment	1,815	1,751
Amortization of intangible assets	1,720	1,728
Non-cash lease expense	1,218	1,453
Provision for bad debt, net	557	656
Stock-based compensation	438	527
Non-cash interest expense	135	182
Goodwill impairment	—	3,359
Write-off of borrowing costs	—	130
Gain on disposal of discontinued operations	—	(5,159)
Gain on disposal of MD Office Solutions	—	(847)
(Gain) Loss on sale of assets	(398)	(18)
Loss on write-off of software implementation costs	—	1,372
Deferred income taxes	103	22
Gain on Paycheck Protection Program loan forgiveness	—	(4,179)
Other	1,661	(319)
Changes in operating assets and liabilities:		
Accounts receivable	(2,658)	(3,701)
Inventories	(2,102)	1,262
Other assets	(507)	(637)
Accounts payable	(844)	(1,001)
Accrued compensation	651	430
Deferred revenue and billings in excess of costs and estimated profit	614	499
Operating lease liabilities	(1,197)	(1,422)
Other liabilities	189	445
Net cash provided (used) by operating activities	<u>(3,857)</u>	<u>(6,450)</u>
Investing activities		
Purchases of property and equipment	(1,189)	(788)
Proceeds from sale of discontinued operations	—	18,750
Proceeds from sale of property and equipment	432	132
Purchases of equity securities	(4,363)	(34)
Proceeds from sales of equity securities	27	42
Payments to acquire interest in variable interest entity	—	(300)
Net cash provided (used) by investing activities	<u>(5,093)</u>	<u>17,802</u>
Financing activities		
Proceeds from borrowings	105,869	117,601
Repayment of debt	(107,155)	(125,076)
Fees paid on issuance of common stock	(450)	(37)
Proceeds from the sale of common stock, warrants, and exercise of over allotment options	13,198	629
Equity proceeds from related party private placement	—	2,113
Taxes paid related to net share settlement of equity awards	(5)	(18)
Repayment of obligations under finance leases	(600)	(769)
Preferred stock dividends paid	(1,916)	(4,418)
Net cash provided (used) by financing activities	<u>8,941</u>	<u>(9,975)</u>
Net change in cash, cash equivalents, and restricted cash including cash classified within current assets held for sale	(9)	1,377
Less: Net (decrease) increase in cash classified within current assets held for sale	—	(46)
Net change in cash, cash equivalents, and restricted cash	<u>(9)</u>	<u>1,423</u>

Cash, cash equivalents, and restricted cash at beginning of year	4,816	3,393
Cash, cash equivalents, and restricted cash at end of year	\$ 4,807	\$ 4,816
Reconciliation of cash, cash equivalents, and restricted cash at end of year		
Cash and cash equivalents	\$ 4,665	\$ 4,538
Restricted cash	142	278
Cash, cash equivalents, and restricted cash at end of period	\$ 4,807	\$ 4,816
Supplemental Information		
Cash paid during the year for interest	\$ 689	\$ 717
Cash paid during the year for income taxes	\$ 432	\$ 344
Non-Cash Investing Activities		
MD Office Solutions Promissory Note Receivable	487	1,385
Non-Cash Financing Activities		
Gain on Paycheck Protection Program Loan Forgiveness	—	4,179
Noncash property, plant, and equipment obtained in exchange for finance lease liabilities	90	—
Noncash right-of-use assets obtained in exchange for operating lease liabilities	1,492	—

See accompanying notes to consolidated financial statements.

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

	Perpetual Redeemable Preferred Stock		Perpetual Preferred Stock		Common stock		Treasury Stock	Additional paid-in capital	Accumulated deficit	Total stockholders' equity
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2020	1,916	\$ 21,500	—	\$ —	4,798	\$ —	\$ (5,728)	\$ 149,143	\$ (124,986)	\$ 18,429
Stock-based compensation	—	—	—	—	—	—	—	527	—	527
Shares issued under stock incentive plans, net of shares withheld for employee taxes	—	—	—	—	726	—	—	(18)	—	(18)
Equity issuance costs	—	—	—	—	—	—	—	(37)	—	(37)
Equity proceeds from related party private placement	—	—	—	—	—	—	—	2,113	—	2,113
Accrued dividend on perpetual preferred stock	—	1,906	—	—	—	—	—	(1,906)	—	(1,906)
Preferred stock dividends paid	—	(4,418)	—	—	—	—	—	—	—	—
Proceeds received from warrant exercise	—	—	—	—	281	—	—	629	—	629
Net income (loss)	—	—	—	—	—	—	—	—	(2,983)	(2,983)
Balance at December 31, 2021	1,916	\$ 18,988	—	—	5,805	\$ —	(5,728)	\$ 150,451	\$ (127,969)	\$ 16,754
Stock-based compensation	—	—	—	—	—	—	—	438	—	438
Shares issued under stock incentive plans, net of shares withheld for employee taxes	—	—	—	—	198	—	—	(5)	—	(5)
Accrued dividend on redeemable preferred stock	—	479	—	—	—	—	—	(1,916)	—	(1,916)
Preferred stock dividends paid	—	(479)	—	—	—	—	—	—	—	—
Equity issuance costs	—	—	—	—	—	—	—	(450)	—	(450)
Proceeds from the sale of common stock, warrants, and exercise of over allotment options	—	—	—	—	9,175	1	—	13,197	—	13,198
Reclassification of preferred stock to permanent equity (See Note 1)	(1,916)	(18,988)	1,916	18,988	—	—	—	—	—	18,988
Net income (loss)	—	—	—	—	—	—	—	—	(5,252)	(5,252)
Balance at December 31, 2022	—	\$ —	1,916	\$ 18,988	15,178	\$ 1	\$ (5,728)	\$ 161,715	\$ (133,221)	\$ 41,755

See accompanying notes to consolidated financial statements.

STAR EQUITY HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. The Company

Star Equity Holdings, Inc. (“Star Equity”, or the “Company”) is a diversified holding company with three divisions: Healthcare, Construction, and 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. Unless the context requires otherwise, in this report the terms “we,” “us,” and “our” refer to Star Equity and our wholly owned subsidiaries.

Healthcare

Healthcare designs, manufactures, and distributes diagnostic medical imaging products. Healthcare operates in two businesses: Diagnostic Services and Diagnostic Imaging. The Diagnostic Services business offers imaging 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.

Construction

Construction manufactures modular housing units for commercial and residential applications. Construction operates in two businesses: (i) modular building manufacturing and (ii) structural wall panel and wood foundation manufacturing, including building supply retail operations. The modular building manufacturing business services the northeast United States and is operated by KBS Builders, Inc. (“KBS”) in Maine. The structural wall panel and wood foundation manufacturing 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 Holdings, Inc. (“ATRM”), as the “Construction Subsidiaries.”

Investments

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

Effective as of the first quarter of 2022, we realigned our internal reporting structure into three reportable segments by combining Diagnostic Imaging and Diagnostic Services into one Healthcare segment to reflect the manner in which our Chief Operating Decision Maker (“CODM”) assesses performance and allocates resources. See Note 15. Segments, within the notes to our accompanying consolidated financial statements for financial data relating to our segments. All historical periods have been recast to conform to our current reportable segments.

Note 2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The consolidated financial statements are prepared in conformity with generally accepted accounting principles (“GAAP”) in the United States of America and include our wholly owned subsidiaries financial statements. All intercompany accounts and transactions have been eliminated. The divestiture of our former Mobile Healthcare division is separately presented as discontinued operations in the Consolidated Statement of Operations for the year ended December 31, 2021. Refer to Note 3. *Discontinued Operations* for additional information.

Mezzanine Equity

Pursuant to the Certificate of Designations, Rights and Preferences of 10% Series A Cumulative Perpetual Preferred Stock (the “Series A Preferred Stock”) of Star Equity (formerly Digirad Corporation) (the “Certificate of Designations”), upon a Change of Control Triggering Event, as defined in the Certificate of Designations, holders of the Series A Preferred Stock had the ability to require the Company to redeem the Series A Preferred Stock at a price of \$10.00 per share, plus any accumulated and unpaid dividends (a “Change of Control Redemption”). As this redemption feature of the shares was not solely within the control of the Company, the Series A Preferred Stock did not qualify as permanent equity and was classified as mezzanine or temporary equity. The Series A Preferred Stock was not redeemable and it was not probable that our Series A Preferred Stock would become redeemable as of December 31, 2021. Therefore, we were not previously required to accrete the Series A Preferred Stock to its redemption value.

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

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

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

Discontinued Operations

On October 30, 2020, we entered into the DMS Purchase Agreement (as defined in Note 3) to sell all of the issued and outstanding common stock of DMS Health Technologies, Inc. (“DMS Health”), which operated our Mobile Healthcare business. The purchase price for the DMS Sale Transaction (as defined in Note 3.) was \$18.75 million in cash, subject to certain adjustments, including a working capital adjustment. The DMS Sale Transaction was completed on March 31, 2021.

On February 1, 2021, the Company completed the sale of its MD Office Solutions (“MDOS”) 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. This segment is reported on the Consolidated Statements of Operations as discontinued operations.

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 Webster, as successor in interest to Sterling, further described in Note 8. *Debt*. The allocation was based on the ratio of assets generated based on the borrowing capacity to total borrowings capacity for the period.

Cash flows used in or provided by DMS Health operations as part of discontinued operations and prior year results are further disclosed in Note 3. *Discontinued Operations*.

Liquidity and Management’s Plan

At December 31, 2022, the Company identified certain conditions and events which in the aggregate required management to perform an assessment of the Company’s ability to continue as a going concern. These conditions included the Company’s recurring losses from operations, accumulated deficit position and negative cash flows from operations. In addition, we were not in compliance with our Webster Loan Agreement covenants and we had not obtained a waiver of noncompliance. The balance of the outstanding Webster Bank debt is \$8.3 million as of December 31, 2022 (see Note 8. *Debt*). Upon the occurrence and during the continuation of an event of default under the Webster Loan Agreement, Webster may, among other things, declare the loan immediately due and payable and increase the interest rate at which the loan bears interest. As a result of the above factors, management has performed an analysis to evaluate the entity’s ability to continue as a going concern for one year after the financial statements issuance date.

As of December 31, 2022, cash and cash equivalents amounted to \$4.7 million and our investments in publicly traded companies amounted to \$3.5 million. We have borrowing capacity on all lines of credit aggregating \$2.0 million as of December 31, 2022. Management has projected positive cash flow generation for the next 12 months from the issuance date of these financial statements. Such projections take past performance into consideration and also give consideration to repayment of the Webster Loan balance in advance of the maturity date. Our forecasts are dependent on our ability to maintain margins at our operating companies which includes achieving levels of booked orders, minimize expenses and generate certain free cash flow benchmarks through March 31, 2024.

Based on management’s analysis the Company believes that projected cash flows from operations, together with existing working capital, booked orders, expense management and existing and projected borrowing capacity will be sufficient to fund operations at current and projected levels and to repay debt obligations over the next twelve months, and we anticipate that we will be back in compliance with the Webster Loan Agreement covenants in 2023. However, there can be no assurance that we will be able to do so. As a result of management’s analysis, we believe that the conditions that led us to conclude substantial doubt in prior periods have been alleviated. As a result of recurring losses, the continued viability of the Company beyond March 2024 may be dependent on its ability to continue to raise additional capital to finance its operations. There can be no assurance on the availability or terms upon financing and capital that might be available in the future, if necessary.

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, goodwill 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 as explained below.

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

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

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

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

Revenue recognition is evaluated on a contract by contract basis. Performance obligations are satisfied over time as work progresses or at a point in time. A performance obligation is satisfied over time when the company creates an asset with no alternative use and we have an enforceable right to payment, including a reasonable profit margin. Determining if an enforceable right to payment includes a reasonable profit margin requires judgment and is assessed on a contract by contract basis. For contracts requiring over time revenue recognition, the selection of the method to measure progress towards completion requires judgment and is based on the nature of the products or services to be provided. We use a cost-based input measurement of progress because it best depicts the transfer of assets to the customer, which occurs as costs are incurred during the manufacturing process or as services are rendered. Under the cost-based measure of progress, the extent of progress towards completion is measured based on the costs incurred to date.

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

Healthcare Services Revenue Recognition. We generate service revenue primarily from providing diagnostic services to our customers. Service revenue within our Healthcare reportable segment is derived from providing our customers with contract diagnostic services, which includes use of our imaging systems, qualified personnel, radiopharmaceuticals, licensing, logistics and related items required to perform testing in their own offices. We bill customers either on a per-scan or fixed-payment methodology, depending upon the contract that is negotiated with the customer. Within our Healthcare 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 that rental assets 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, accessories, and radiopharmaceuticals doses.

Healthcare product revenues are generated from the sale of internally developed solid-state gamma camera imaging systems and post-warranty 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. We offer time and material services and record revenue when service is performed. Radiopharmaceuticals doses revenue, generated by Healthcare, is generally recognized when delivered to the customer.

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

Billings in excess of costs and estimated profit. We recognize billings in excess of costs and estimated profit on uncompleted contracts within current liabilities. Such amounts relate to fixed-price contracts recognized over time, and represents payments in advance of performing the related contract work. Billings in excess of costs and estimated profit on uncompleted contracts are not considered to be a significant financing component because they are generally used to meet working capital demands that can be higher in the early stages of a contract. Contract liabilities are reduced when the associated revenue from the contract is recognized, which is generally within one year.

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.

Deferred Revenue

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

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 we are the lessee and lessor. Additionally, the Company elected not to recognize ROU assets and leases liabilities that arise from short-term leases of twelve months or less.

Lessor Accounting

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

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

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

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

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

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

Concentration of Credit Risk

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

Fair Value of Financial Instruments

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

The Company occasionally enters into derivative financial instruments to manage certain market risks. These derivative instruments are not designated as hedging instruments and accordingly, are recorded at fair value in the Consolidated Balance Sheets with the changes in fair value recognized in cost of revenue in the Consolidated Statements of Operations.

Variable Interest Entities

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

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

Cash and Cash Equivalents

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

Equity Securities

As of December 31, 2022 and 2021, securities consist of investments in equity securities that are publicly traded. Investments that are strategic in nature, with the intent to hold the investment over a several year period, are classified as other assets (non-current). These equity securities, with certain exceptions, are measured at fair value and changes in fair value are recognized in net income. During the year ended December 31, 2022, we recognized losses related to changes in fair value of \$1.7 million in the Consolidated Statements of Operations. During the year ended December 31, 2021, we recorded gains related to changes in fair value of \$0.3 million.

Allowance for Doubtful Accounts and Billing Adjustments

Accounts receivable consist principally of trade receivables from customers and 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 Healthcare division, 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 Healthcare revenues.

Within the Construction division, 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 uncollectible 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, 2022, and 2021 (in thousands):

	Allowance for Doubtful Accounts ⁽¹⁾	Reserve for Billing Adjustments ⁽²⁾
Balance at December 31, 2020	\$ 496	\$ 13
Provision adjustment	656	293
Write-offs and recoveries, net	(309)	(277)
Balance at December 31, 2021	843	29
Provision adjustment	556	159
Write-offs and recoveries, net	(685)	(175)
Balance at December 31, 2022	\$ 714	\$ 13

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

⁽²⁾ The provision was charged against Healthcare revenue.

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 and usage 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, 2022 and 2021 (in thousands):

	Reserve for Excess and Obsolete Inventories⁽¹⁾
Balance at December 31, 2020	\$ 399
Provision adjustment	30
Write-offs and scrap	(109)
Balance at December 31, 2021	320
Provision adjustment	15
Write-offs and scrap	(119)
Balance at December 31, 2022	\$ 216

⁽¹⁾ The provision was charged against 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 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 finance leases are included within depreciation expense. We calculate amortization on intangible assets using either the accelerated or the straight-line method over the estimated useful life of the assets, based on when we expect to receive cash inflows generated by the intangible assets. Estimated useful lives for intangibles range from 1 to 15 years.

Impairment losses on long-lived assets used in operations are recorded when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. No impairment was recorded on long-lived assets to be held and used during the years ended December 31, 2022 and 2021.

Goodwill Valuation

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

Goodwill has historically been derived from the acquisition of ATRM in 2019, MD Office Solutions ("MDOS") in 2015, and substantially all of the assets of Ultrascan, Inc. ("Ultrascan") in 2007. See Note 7. *Goodwill*, for further information.

Self-Insured Health Insurance Benefits

Healthcare 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, 2022 and 2021, the reserve for estimated claims incurred and unpaid was \$0.2 million and \$0.6 million, respectively.

Restricted Cash

We maintain certain cash amounts restricted as to withdrawal or use. As of December 31, 2022 and 2021, restricted cash was \$0.1 million and \$0.3 million comprised of cash held for letters of credit for our real estate leases and certain minimum balance requirements on our banking arrangements.

Debt Issuance Costs

We incur debt issuance costs in connection with debt financings. Debt issuance costs for line of credit are presented in other assets and are amortized over the term of the revolving debt agreements using the straight-line method. Debt issuance costs for term debt are netted against the debt and are amortized over the term of the loan using the effective interest method. Amortization of debt issuance costs are included in interest expense. As of December 31, 2022 and 2021, we have \$0.1 million and \$0.3 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 \$1.4 million for the years ended December 31, 2022 and 2021.

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

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs for the years ended December 31, 2022 and 2021 were \$0.4 million and \$0.3 million, respectively.

Basic and Diluted Net income (loss) Per Share

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

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

	Year Ended December 31,	
	2022	2021
Stock options	4	15
Stock warrants	11,100	768
Restricted stock units	119	72
Total	11,223	855

As of December 31, 2022, there were 1,045,460 warrants exercised and 12,892,040 warrants, which represents 12,189,770 shares of common stock equivalents, remained outstanding. See Note 18. *Equity Transactions*, for further information about warrants outstanding.

Income Taxes

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

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

We record uncertain tax positions on the basis of a two-step process whereby (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50% likely to be realized upon ultimate settlement with the related tax authority. We recognize interest and penalties related to unrecognized tax benefits within income tax expense, and any accrued interest and penalties would be included within the related tax liability. No such costs were recorded for the years ended December 31, 2022 and December 31, 2021.

Reclassifications

Certain Items on the prior year balance sheet were reclassified to conform with the current year presentation. These changes did not impact previously reported Consolidated Statement of Operations, stockholders' equity, total assets or the Consolidated Statements of Cash Flows.

New Accounting Standards To Be Adopted

The FASB issued ASU 2016-13, ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-11, ASU 2020-03, and ASU 2022-02, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments, which amend the impairment model under ASC 326 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 adopted the standard on its effective date in the first quarter of 2023. We believe the adoption modified the way we analyze financial instruments, but the adoption did not have a material financial impact on our consolidated financial statements.

The FASB issued ASU 2020-04 and ASU 2022-06, Reference Rate Reform (Topic 848), to temporarily ease the potential burden in accounting for reference rate reform. The standard provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. The guidance generally can be applied through December 31, 2024. ASU 2020-04 does not have a material effect on our current financial position, results of operations or financial statement disclosures.

In August 2020, the FASB issued ASU No. 2020-06, Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40). ASU 2020-06 eliminates the beneficial conversion and cash conversion accounting models for convertible instruments. It also amends the accounting for certain contracts in an entity's own equity that are currently accounted for as derivatives because of specific settlement provisions. In addition, ASU 2020-06 modifies how particular convertible instruments and certain contracts that may be settled in cash or shares impact the diluted EPS computation. The amendments in this update are effective for public business entities for fiscal years beginning after December 15, 2021 (or December 15, 2023 for companies who meet the SEC definition of Smaller Reporting Companies), and interim periods within those fiscal years. The amendment is to be adopted through either a fully retrospective or modified retrospective method of transition. Early adoption is permitted. The Company is currently evaluating the impact of this standard on its financial statements and related disclosures.

In October 2021, the FASB issued ASU 2021-08, Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which requires that an entity recognize and measure contracts assets and contract liabilities acquired in a business combination as it had originated the contracts. This update is effective for annual periods beginning after December 15, 2022, and interim periods within those periods, and early adoption is permitted. We adopted the standard on its effective date in the first quarter of 2023. The adoption did not have a material financial impact on our consolidated financial statements.

Note 3. Discontinued Operations

On October 30, 2020, Star Equity entered into a Stock Purchase Agreement (the “DMS Purchase Agreement”) between the Company (“Seller”), DMS Health, and Knob Creek Acquisition Corp., a Tennessee corporation (“Buyer”), pursuant to which the Buyer purchased all of the issued and outstanding common stock of DMS Health, which operated our Mobile Healthcare business unit, from Seller (the “DMS Sale Transaction”). The purchase price under the DMS Purchase Agreement was \$18.75 million in cash, subject to certain adjustments, including a working capital adjustment. The transactions closed effective March 31, 2021.

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. For the year ended December 31, 2021, the Mobile Healthcare business met the criteria to be classified as discontinued operations.

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 (now Webster Bank). The allocation was based on the ratio of assets generated based on the borrowing capacity to total borrowings capacity for the period. In addition, certain general and administrative costs related to corporate and shared service functions previously allocated to the mobile healthcare reportable segment are included in discontinued operations.

The following table presents financial results of DMS Health for the year ended December 31, 2021. There have been no activities for the year ended December 31, 2022 (in thousands):

	Year Ended December 31, 2021
Total revenues	\$ 9,490
Total cost of revenues	6,973
Gross profit	2,517
Operating expenses:	
Selling, general and administrative	1,469
Total operating expenses	1,469
Operating income from discontinued operations	1,048
Interest expense, net	(180)
Gain on sale of discontinued operations	5,159
Income from discontinued operations before income taxes	6,027
Income tax provision	(79)
Net Income from discontinued operations	\$ 5,948

The following table presents the significant non-cash operating, investing and financing activities from discontinued operations for the year ended December 31, 2021 (in thousands):

	Year Ended December 31, 2021
Operating activities	
Depreciation	\$ 7
Non-cash lease expense	256
Write -off of borrowing costs	130
Gain on sale of DMS discontinued operations	(5,159)
Investing activities	
Proceeds from sale of discontinued operations	18,750
Proceeds from sale of property and equipment	3

Following is the reconciliation of purchase price to the gain recognized in income from discontinued operations for the year ended December 31, 2021 (in thousands):

	Year Ended December 31, 2021	
Estimated proceeds of the disposition, net of transaction costs	\$	18,750
Assets of the businesses		(20,920)
Liabilities of the businesses		7,712
Transaction expenses		(383)
Pre-tax gain on the disposition	\$	5,159

In April 2021, DMS Health contracted Digirad Imaging Solutions for a term of three years to purchase radiopharmaceuticals doses, resulting in \$1.4 million and \$1.1 million of revenues for the years ended December 31, 2022 and 2021, respectively

Note 4. Revenue

Disaggregation of Revenue

The following table presents our continuing revenues disaggregated by major source for the years ended December 31, 2022 and 2021 (in thousands):

	Year Ended December 31, 2022		
	Healthcare	Construction	Total
Major Goods/Service Lines			
Mobile Imaging ⁽¹⁾	\$ 40,548	\$ —	\$ 40,548
Camera Sales	6,975	—	6,975
Camera Support	7,128	—	7,128
Healthcare Revenue from Contracts with Customers	54,651	—	54,651
Lease Income	351	—	351
Construction Revenue from Contracts with Customers	—	57,149	57,149
Total Revenues	\$ 55,002	\$ 57,149	\$ 112,151

Timing of Revenue Recognition

Services and goods transferred over time	\$ 41,516	\$ 11,625	\$ 53,141
Services and goods transferred at a point in time	13,486	45,524	59,010
Total Revenues	\$ 55,002	\$ 57,149	\$ 112,151

⁽¹⁾ Revenue generated from DMS subsequent to their respective sales resulted in \$1.4 million of total revenues.

	Year Ended December 31, 2021		
	Healthcare	Construction	Total
Major Goods/Service Lines			
Mobile Imaging ⁽¹⁾	\$ 43,536	\$ —	\$ 43,536
Camera Sales	7,959	—	7,959
Camera Support	6,832	—	6,832
Healthcare Revenue from Contracts with Customers	58,327	—	58,327
Lease Income	229	47	276
Construction revenue from Contracts with Customers	—	47,956	47,956
Total Revenues	\$ 58,556	\$ 48,003	\$ 106,559
Timing of Revenue Recognition			
Services and goods transferred over time	\$ 45,457	\$ 3,921	\$ 49,378
Services and goods transferred at a point in time	13,099	44,082	57,181
Total Revenues	\$ 58,556	\$ 48,003	\$ 106,559

⁽¹⁾ Revenue generated from MDOS and DMS subsequent to their respective sales resulted in \$0.8 million and \$1.1 million of total revenues, respectively.

Changes in the deferred revenues for the year ended December 31, 2022 and 2021, is as follows (in thousands):

Balance at December 31, 2020	\$ 2,352
Revenue recognized that was included in balance at beginning of the year	(1,975)
Deferred revenue, net, related to contracts entered into during the year	2,492
Balance at December 31, 2021	2,869
Revenue recognized that was included in balance at beginning of the year	(2,063)
Deferred revenue, net, related to contracts entered into during the year	2,869
Balance at December 31, 2022	\$ 3,675

As of December 31, 2022 and 2021, non-current deferred revenue was \$299 thousand and \$412 thousand, respectively in other liabilities within our Consolidated Balance Sheets, which is expected to be recognized over a period of 2-4 years.

Billings in Excess of Costs and Estimated Profit

Changes in the billings in excess of costs and estimated profit for year ended December 31, 2022 is as follows (in thousands):

Balance at December 31, 2021	\$ 312
Revenue recognized that was included in balance at beginning of the year	(312)
Billings in excess of costs, related to contracts entered into during the year	—
Balance at December 31, 2022	\$ —

Note 5. Supplementary Balance Sheet Information

The following tables show the Consolidated Balance Sheet details as of December 31, 2022 and 2021 (in thousands):

	December 31, 2022	December 31, 2021
Inventories:		
Raw materials	\$ 6,330	\$ 5,870
Work-in-process	2,567	2,145
Finished goods	1,946	830
Total inventories	10,843	8,845
Less reserve for excess and obsolete inventories	(216)	(320)
Total inventories, net	\$ 10,627	\$ 8,525
	December 31, 2022	December 31, 2021
Property and equipment, net:		
Land	\$ 805	\$ 805
Buildings and leasehold improvements	4,843	4,823
Machinery and equipment	24,648	24,881
Computer hardware and software	2,465	2,387
Gross property and equipment	32,761	32,896
Accumulated depreciation	(24,413)	(23,978)
Total property and equipment, net	\$ 8,348	\$ 8,918

As of December 31, 2022, the non-operating land and building, held for investments, had a carry value of \$1.9 million and was included within property and equipment on the Consolidated Balance Sheets.

Depreciation expense for the years ended December 31, 2022 and 2021 was \$1.8 million and \$1.7 million, respectively.

Warranty Reserves

The activities related to our warranty reserve for the period ended December 31, 2022 and year ended December 31, 2021, respectively, are as follows (in thousands):

	December 31, 2022	December 31, 2021
Balance at the beginning of year	\$ 569	\$ 214
Charges to cost of revenues	177	963
Applied to liability	(455)	(608)
Balance at the end of period	\$ 291	\$ 569

	December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net
Intangible assets with finite useful lives:			
Customer relationships	\$ 16,100	\$ (7,066)	\$ 9,034
Trademarks	5,540	(1,222)	4,318
Patents	141	(141)	—
Total intangible assets, net	\$ 21,781	\$ (8,429)	\$ 13,352

	December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net
Intangible assets with finite useful lives:			
Customer relationships	\$ 16,440	\$ (6,056)	\$ 10,384
Trademarks	5,540	(853)	4,687
Patents	141	(140)	1
Total intangible assets, net	\$ 22,121	\$ (7,049)	\$ 15,072

Amortization expense for intangible assets, net for the years ended December 31, 2022 and 2021 was \$1.7 million.

Estimated amortization expense for intangible assets for each year 2023 through 2027 is \$1.7 million and thereafter is \$4.8 million.

	December 31, 2022	December 31, 2021
Other current liabilities:		
Professional fees	\$ 913	\$ 832
Sales and property taxes payable	764	550
Radiopharmaceuticals and consumable medical supplies	353	78
Facilities and related costs	217	169
Outside services and consulting	235	282
Other accrued liabilities	655	534
Total other current liabilities	<u>\$ 3,137</u>	<u>\$ 2,445</u>

Note 6. Fair Value Measurements

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

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

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment, which may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels. The following table sets forth by level within the fair value hierarchy our assets and liabilities that were recorded at fair value as of December 31, 2022 and 2021 (in thousands):

	At Fair Value as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets (liabilities):				
Equity securities	\$ 3,490	\$ —	\$ —	\$ 3,490
Lumber derivative contracts	(104)	—	—	(104)
Total	<u>\$ 3,386</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,386</u>
	At Fair Value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets (liabilities):				
Equity securities	\$ 47	\$ —	\$ —	\$ 47
Lumber derivative contracts	666	—	—	666
Total	<u>\$ 713</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 713</u>

The investment in equity securities consists of common stock of publicly traded companies. The fair value of these securities is based on the closing prices observed on December 31, 2022 and 2021, respectively. During the years ended December 31, 2022, and 2021, we recorded an unrealized loss of \$893 thousand and gain of \$20 thousand, respectively, in the Consolidated Statements of Operations.

We entered into lumber derivative contracts in order to protect our gross profit margins from fluctuations caused by volatility in lumber prices. For the years ended December 31, 2022 and 2021, we recorded a net loss of \$1.8 million and gain of \$0.4 million, respectively, in the cost of revenues of the Consolidated Statements of Operations. As of December 31, 2022, we had a net long (buying) position of 550,000 board feet under five lumber derivatives contracts. As of December 31, 2021, we had a net long (buying) position of 2,420,000 board feet under twenty-two lumber derivatives contracts.

Note 7. Goodwill

Goodwill has historically been derived from the acquisition of ATRM in 2019, MDOS in 2015, and substantially all of the assets of Ultrascan in 2007. Diagnostic Imaging Solutions, KBS and EBGL carry a goodwill balance of \$1.6 million, \$0.5 million and \$4.0 million, respectively.

The carrying amount of goodwill for the years ended December 31, 2022 and 2021, by reportable segment, changed as follows (in thousands):

	Healthcare	Construction	Total
Balance at December 31, 2020	\$ 1,745	\$ 7,797	\$ 9,542
De-recognition of MDOS ⁽¹⁾	(137)	—	(137)
Impairment of KBS ⁽²⁾	—	(3,359)	(3,359)
Balance at December 31, 2021	\$ 1,608	\$ 4,438	\$ 6,046
Balance at December 31, 2022	\$ 1,608	\$ 4,438	\$ 6,046

⁽¹⁾ On February 1, 2021, in connection with the closing of the sale of MDOS, we de-recognized \$0.1 million goodwill associated to the Diagnostic Services reporting unit.

⁽²⁾ We concluded that it was more likely than not that the carrying value of the KBS reporting unit were in excess of fair value. This conclusion was based on lower than expected operating results during the year ended December 31, 2021, primarily as a result of the rise in material costs throughout the year. As a result, we recorded an impairment loss of \$3.4 million associated with the impairment assessment of the KBS reporting unit as of December 31, 2021 within the Consolidated Statements of Operations.

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

Based on the annual assessment performed as of December 31, 2022, the Company concluded it was more likely than not that the estimated fair value of our reporting units exceeded their carrying value, and therefore, determined it was not necessary to perform a quantitative goodwill impairment test.

Note 8. Debt

A summary of debt as of December 31, 2022 and 2021 is as follows (dollars in thousands):

	December 31, 2022		December 31, 2021	
	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
Revolving Credit Facility - eCapital KBS	\$ —	—%	\$ 3,131	6.00%
Revolving Credit Facility - eCapital EBGL	2,592	10.25%	1,652	6.00%
Revolving Credit Facility - Webster	8,299	6.89%	7,016	2.60%
Total Short-term Revolving Credit Facilities	\$ 10,891	7.69%	\$ 11,799	3.98%
eCapital - Star Loan Principal, net	\$ 791	10.50%	\$ 1,070	6.25%
Short Term Loan	\$ 791	10.50%	\$ 1,070	6.25%
Total Short-term debt	\$ 11,682	7.88%	\$ 12,869	4.17%

Webster Credit Facility

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

The Webster 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 “Webster Credit Facility”). Under the Webster Credit Facility, the Webster 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 Webster Loan Agreement are classified as short-term obligations under GAAP as the agreement contains a subjective acceleration clause and requires a lockbox arrangement whereby all receipts within the lockbox are swept daily to reduce borrowings outstanding. As of December 31, 2022, the Company had \$0.1 million of letters of credit outstanding and had additional borrowing capacity of \$0.3 million under the Webster Credit Facility.

At the Webster Borrowers’ option, the Webster Credit Facility will bear interest at either (i) a Floating LIBOR Rate, as defined in the Webster Loan Agreement, plus a margin of 2.50% per annum; or (ii) a Fixed LIBOR Rate, as defined in the Webster Loan Agreement, plus a margin of 2.25% per annum. Our floating rate on this facility at December 31, 2022 was 6.89%. The Webster Loan Agreement also provides for unused line fees and restricts the usage of borrowings under the line solely to support the Healthcare businesses, subject to certain limitations.

The Webster Credit Facility is secured by the assets of the Digirad Health businesses.

Financial covenants require that the Webster Borrowers maintain (a) a fixed charge coverage ratio as of the last day of a fiscal quarter of not less than 1.25 to 1.0 and (b) a leverage ratio as of the last day of such fiscal quarter of no greater than 3.50 to 1.0. As of December 31, 2022, the Company was not in compliance with the covenants under the Webster Loan Agreement and had not yet obtained a waiver from Webster for these financial covenant breaches.

eCapital Credit Facilities

EBGL

EdgeBuilder and Glenbrook (the “EBGL Borrowers”) are parties to a Loan and Security Agreement (the “EBGL Loan Agreement”) providing the EBGL Borrowers with a credit facility for borrowings up to \$4.0 million, subject to certain borrowing base limitations (the “EBGL Loan”). As of December 31, 2022, EBGL had additional borrowing capacity of \$0.4 million under the facility. Amounts outstanding bear interest, payable monthly, at the prime rate plus 2.75% and payments of outstanding principal are due in full upon maturity. The facility is subject to annual renewal and is currently set to mature on June 30, 2023 or earlier (as amended in the eleventh amendment to the EBGL Loan Agreement).

On March 8, 2022, the EBGL Borrowers entered into the Seventh Amendment to the EBGL Loan Agreement with eCapital to amend and lower the financial covenants to require that EBGL maintain (a) a lower net cash income (as defined in the EBGL Loan Agreement) at least equal to no less than \$0 for the trailing 6-month period ending June 30, 2022 and no less than \$1,000,000 for the trailing fiscal year ending December 31, 2022 and (b) a reduced minimum EBITDA (as defined in the EBGL Loan Agreement) to be no less than \$0 as of June 30, 2022 and no less than \$1,000,000 as of the fiscal year ending December 31, 2022.

On August 11, 2022, the EBGL Borrowers entered into the Eighth Amendment to the EBGL Loan Agreement with eCapital to amend the lender name to eCapital Asset Based Lending Corp., formerly known as Gerber Finance, Inc. and to provide a waiver of certain covenants violated as of June 30, 2022.

EBGL was in compliance with the bi-annual financial covenants under the EBGL Loan Agreement measured as of December 31, 2022.

KBS

KBS is a party to a revolving credit facility with eCapital (“KBS Loan Agreement”). The facility, as amended, provides for borrowings up to \$4.0 million, subject to certain borrowing base limitations. As of December 31, 2022, KBS had additional borrowing capacity of \$1.3 million under the facility. Amounts outstanding bear interest, payable monthly, at the prime rate plus 2.75% and payments of outstanding principal are due in full upon maturity. The facility is subject to annual renewal and is currently set to mature on June 30, 2023 or earlier (as amended in the Twenty First Amendment of the KBS Loan Agreement). The facility is secured by the assets of KBS and borrowings under the line are restricted for use to finance the operations of KBS. As of December 31, 2022, KBS was in compliance with the bi-annual financial covenants under the KBS Loan Agreement.

On March 8, 2022, the borrowers under the KBS Loan Agreement entered into the Nineteenth Amendment to the KBS Loan Agreement to amend the financial covenants to require that KBS maintain (a) net cash income (as defined in the KBS Loan Agreement) of at least equal to no less than \$0 for the trailing 6-month period ending June 30, 2022 and be no less than \$500,000 for the trailing fiscal year end and (b) a minimum EBITDA (as defined in the KBS Loan Agreement) no less than \$0 as of June 30, 2022 and no less than \$850,000 as of the fiscal year end, as well as a waiver of certain covenants as of December 31, 2021.

The eCapital credit facilities contain cross-default provisions and subjective acceleration clauses which may, in the event of a material adverse event, as determined by eCapital, allow eCapital to declare the loans immediately due and payable or increase the interest rate. The facilities are also subject to a guaranty by the Company and the Company is responsible for certain facility and other fees.

Borrowings under the eCapital credit facilities are classified as short-term obligations as the agreements contain a subjective acceleration clauses and require a lockbox arrangement whereby all receipts within the lockbox are swept daily to reduce borrowings outstanding.

Term Loan

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

The following table presents the Star Loan balance, net of unamortized debt issuance costs as of December 31, 2022 and 2021 (in thousands):

	December 31, 2022	December 31, 2021
eCapital - Star Loan Principal	\$ 870	\$ 1,246
Unamortized debt issuance costs	(79)	(176)
eCapital - Star Loan Principal, net	<u>\$ 791</u>	<u>\$ 1,070</u>

The Star Loan, as amended, requires monthly payments of principal of \$33 thousand plus interest at the prime rate plus 3% per annum through the earlier of maturity in January 2025 or the termination, maturity or repayment of any Obligations held with eCapital (as amended in the fourth amendment to the Star Loan Agreement).

The Star Loan is secured by the assets of SRE, 947 Waterford Road, LLC, 300 Park Street, LLC and 56 Mechanic Falls Road, LLC and guaranteed by the Company. The Star Loan is subject to certain annual financial covenants. The financial covenants under the Star Loan Agreement include maintenance of a debt service coverage ratio of not less than 1:00 to 1:00, as defined in the Star Loan Agreement. The occurrence of any event of default under the Star Loan Agreement may result in the obligations of the Star Borrowers becoming immediately due and payable. As of December 31, 2022, no event of default was deemed to have occurred and the Star Borrowers were in compliance with the annual financial covenants under the Star Loan Agreement measured as of December 31, 2022.

The outstanding balance is classified as a short-term obligation as a result of the acceleration clauses within the EBGL and KBS credit facility and the cross-default provisions.

Paycheck Protection Program

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

During 2020 and 2021, the Company applied for forgiveness on all PPP loans. As of December 31, 2021, all PPP loans were forgiven, resulting in a gain of \$4.2 million in 2021.

Note 9. Commitments and Contingencies

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

The outcome of litigation and the amount or range of potential loss at particular points in time may be difficult to ascertain. Among other things, uncertainties can include how trial and appellate courts will apply the law and interpret facts, as well as the contractual and statutory obligations of other indemnifying and insuring parties. The estimated range of reasonably possible losses, and their effect on our financial position is based upon currently available information and is subject to significant judgment and a variety of assumptions, as well as known and unknown uncertainties.

In *Livingston v. Digirad Corporation, et. al.*, the District Court, N.D. Ala. entered a dismissal on September 19, 2022. The original complaint, filed in December 2018, alleged violations of the False Claims Act and Stark Law beginning in 2016. The Company formally agreed to settle for less than the anticipated cost of ongoing litigation with no admission of liability in the amount of \$200 thousand, plus a portion of attorney's fees. All amounts have been paid as of December 31, 2022.

Note 10. Leases

Lessee

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

The components of lease expense for the years ended December 31, 2022 and 2021 are as follows (in thousands):

	December 31, 2022	December 31, 2021
Operating lease cost	\$ 1,597	\$ 1,429
Finance lease cost:		
Amortization of finance lease assets	\$ 489	\$ 476
Interest on finance lease liabilities	55	81
Total finance lease cost	\$ 544	\$ 557

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

	December 31, 2022	December 31, 2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 1,218	\$ 1,197
Operating cash flows from finance leases	\$ 55	\$ 81
Financing cash flows from finance leases	\$ 600	\$ 669
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 1,492	\$ 3,035
Finance leases	\$ 90	\$ 509

Supplemental balance sheet information related to leases as of December 31, 2022 and 2021 were as follows (in thousands):

	December 31, 2022	December 31, 2021
Weighted-Average Remaining Lease Term (in years)		
Operating leases	3.7	3.9
Finance leases	2.3	2.6
Weighted-Average Discount Rate		
Operating leases	4.66 %	4.23 %
Finance leases	5.98 %	5.05 %

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, 2022 were as follows (in thousands):

	Operating Leases	Finance Leases
2023	\$ 1,584	\$ 427
2024	1,444	274
2025	922	106
2026	591	16
2027	155	1
2028 and thereafter	206	—
Total future minimum lease payments	4,902	824
Less amounts representing interest	(334)	(41)
Present value of lease obligations	\$ 4,568	\$ 783

Lessor

We generate lease income in the Healthcare segment from equipment rentals to customers. Rental contracts are structured as either a weekly or monthly payment arrangement and are accounted for as operating leases. Revenues are recognized on a straight-line basis over the term of the rental. During the twelve months ended December 31, 2022 and 2021, our lease contracts were mainly month-to-month contracts.

Note 11. Share-Based Compensation

At December 31, 2022, 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 four years and have a contractual term of seven to ten years. Restricted stock units generally vest over one to three years. Under the Plans, we are authorized to issue an aggregate of 1,150,000 shares of common stock. As of December 31, 2022, the Plans had 488,756 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, 2022, the number of shares provided for issuance under the 2018 Plan due to unissued, forfeited, expired, and canceled shares under the 2014 Plan was 63,751 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, 2022 and 2021.

A summary of our stock option award activity as of and for the year ended December 31, 2022 is as follows (in thousands, except per share data):

	Number of Shares	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value
Options outstanding at December 31, 2021	6	\$ 51.20		
Options granted	—	—		
Options forfeited	—	—		
Options expired	(4)	\$ 51.20		
Options exercised	—	—		
Options outstanding at December 31, 2022	<u>2</u>	\$ 51.20	3.09	\$ —
Options exercisable at December 31, 2022	<u>2</u>	\$ 51.20	3.09	\$ —

At December 31, 2022, there is no unrecognized compensation cost related to unvested stock options.

Upon exercise, we issue new shares of common stock. There were no stock option exercises during the years ended December 31, 2022 and 2021, 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 \$1.23 per share during the year ended December 31, 2022.

A summary of our restricted stock unit activity as of and for the year ended December 31, 2022 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, 2021	262	\$ 3.01
Granted	325	\$ 1.23
Forfeited	(28)	\$ 3.00
Vested	(179)	\$ 3.02
Non-vested restricted stock units outstanding at December 31, 2022	<u>380</u>	\$ 1.48

The following table summarizes information about restricted stock units that vested during the years ended December 31, 2022 and 2021 based on service conditions (in thousands):

	Year Ended December 31,	
	2022	2021
Fair value on vesting date of vested restricted stock units	\$ 182	\$ 313

At December 31, 2022, total unrecognized compensation cost related to non-vested restricted stock units was \$0.4 million, which is expected to be recognized over a weighted-average period of 1.2 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, 2022 and 2021 was allocated as follows (in thousands):

	Year Ended December 31,	
	2022	2021
Cost of revenues	\$ 1	\$ 11
Selling, general and administrative	437	514
Total share-based compensation expense	<u>\$ 438</u>	<u>\$ 525</u>

Note 12. Income Taxes

Significant components of the provision for income taxes from continuing operations for the years ended December 31, 2022 and 2021 are as follows (in thousands):

	Year Ended December 31,	
	2022	2021
Current provision:		
Federal	\$ —	\$ 4
State	87	20
Total current provision	87	24
Deferred provision:		
Federal	82	6
State	5	30
Total deferred provision	87	36
Total income tax provision	\$ 174	\$ 60

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 3. Discontinued Operations, the results of our Mobile Healthcare reportable segment have been reported as discontinued operations for 2021. As a result of the intraperiod allocation rules, for the years ended December 31, 2022 and 2021, the Company recorded a tax expense of \$0 thousand and \$79 thousand, respectively, for discontinued operations.

Differences between the provision for income taxes and income taxes at the statutory federal income tax rate for continuing operations are for the years ended December 31, 2022 and 2021 as follows:

	Year Ended December 31,	
	2022	2021
Income tax expense at statutory federal rate	21.0 %	21.0 %
State income tax expense, net of federal benefit	3.8 %	(0.7)%
Permanent differences and other	(8.9)%	5.6 %
PPP Loan Forgiveness	— %	10.5 %
Revaluation of deferred taxes due to change in effective state tax rates	3.5 %	2.4 %
Expiration of net operating loss and tax credit carryovers	(66.1)%	(40.6)%
Stock compensation	(2.1)%	(0.9)%
Reserve for uncertain tax positions and other reserves	2.9 %	2.6 %
Change in valuation allowance	42.5 %	(0.6)%
Provision for income taxes	(3.4)%	(0.7)%

Our net deferred tax assets (liabilities) as of December 31, 2022 and 2021 consisted of the following (in thousands):

	December 31,	
	2022	2021
Deferred tax assets:		
Net operating loss carryforwards	\$ 15,707	\$ 19,651
Research and development and other credits	72	72
Reserves	369	477
Operating lease liabilities	1,214	2,068
Interest carryover	278	22
Other, net	1,258	785
Total deferred tax assets	18,898	23,075
Deferred tax liabilities:		
Fixed assets and other	(147)	(316)
Right of use assets	(1,192)	(1,974)
Intangibles	(1,889)	(2,850)
Total deferred tax liabilities	(3,228)	(5,140)
Valuation allowance for deferred tax assets	(15,846)	(18,007)
Net deferred tax liabilities	\$ (176)	\$ (72)

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, 2022, as a result of a three-year cumulative loss and recent events, we concluded that a valuation allowance was necessary to offset substantially all of our deferred tax assets. We intend to maintain a valuation allowance until sufficient positive evidence exists to support its reversal. The Company's valuation allowance balance at December 31, 2022 is \$15.8 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, 2022, we had federal and state income tax net operating loss carryforwards after estimated section 382 limitations of \$60.9 million and \$38.3 million, respectively. Federal and certain state net operating losses of \$4.4 million and \$2.6 million, respectively, generated after 2018 carry forward without expiration. Pre-2018 federal loss carryforwards began to expire in 2023 unless previously utilized. Federal and state loss carryforwards of approximately \$16.0 million and \$4.5 million expired in 2022, and approximately \$1.5 million of federal net operating losses and \$3.6 million of state net operating losses are set to expire in 2023, unless previously utilized. We also have federal and California research and other credit carryforwards of approximately \$0.3 million and \$2.1 million, respectively, as of December 31, 2022. The federal credits began to expire in 2023. 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, 2022, 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 Internal Revenue Code Section 382.

The following table summarizes the activity related to our unrecognized tax benefits for the years ended December 31, 2022 and 2021 (in thousands):

	December 31,	
	2022	2021
Balance at beginning of year	\$ 2,561	\$ 2,778
Expiration of the statute of limitations for the assessment of taxes	(147)	(217)
Balance at end of year	<u>\$ 2,414</u>	<u>\$ 2,561</u>

Included in the unrecognized tax benefits of \$2.4 million at December 31, 2022 was \$2.0 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 2017; 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, 2022 and 2021, and interest and penalties recognized during the years ended December 31, 2022 and 2021 were of insignificant amounts.

Note 13. Employee Retirement Plan

Employees have a 401(k) retirement plan under which employees may contribute up to 100% of their annual salary, within IRS limits. Our contributions to the retirement plans totaled \$0.2 million for the years ended December 31, 2022 and 2021.

Note 14. 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, 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 SNB Borrowers' obligations to SNB under the SNB Loan Agreement, including the full payment of all indebtedness owing by Borrowers to SNB. 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 in the SNB Loan Agreement. On March 31, 2021, the first SNB Amendment discharged the SNB Eberwein Guaranty and removed Mr. Eberwein as an ancillary guarantor from the SNB Loan Agreement.

Gerber

On March 5, 2020, contemporaneously with the execution and delivery of the First EBGL Amendment, Mr. Eberwein executed and delivered 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.

Premier

As a condition to the Premier Loan Agreement, Mr. Eberwein entered into a guaranty in favor of Premier, absolutely and unconditionally guaranteeing all of the borrowers' obligations thereunder. As of May 26, 2021, all obligations under the Premier Loan Agreement have been repaid in full and no amount remains outstanding and Premier discharged Mr. Eberwein's guaranty.

Star Equity Holdings, Inc.

Mr. Eberwein was also the Chief Executive Officer of LSVM prior to its dissolution. LSVM was the investment manager of LSVI, now dissolved, and Lone Star Value Co-Invest I, LP (“LSV Co-Invest I”). Mr. Eberwein was also the sole manager of Lone Star Value Investors GP, LLC (“LSV GP”), the general partner of LSVI and LSV Co-Invest I, and the sole owner of LSV Co-Invest I, and over 25% owner of LSVI. LSVM was a wholly owned subsidiary of Star Equity and was dissolved as of December 31, 2021.

On December 10, 2021, the Company entered into a securities purchase agreement with its Executive Chairman, Jeffrey E. Eberwein, relating to the issuance and sale of 650,000 shares of the Company’s common stock, par value \$0.0001 per share (the “Common Stock”) at a purchase price of \$3.25 per share pursuant to a private placement. As of December 31, 2022, Mr. Eberwein owned 2,983,685 shares of Common Stock, representing approximately 19.66% of our outstanding Common Stock. In addition, as of December 31, 2022, Mr. Eberwein owned 1,222,708 shares of Series A Preferred Stock.

Private Placement

On December 10, 2021, the Company entered into a securities purchase agreement with its Executive Chairman, Jeffrey E. Eberwein, relating to the issuance and sale of 650,000 shares of our common stock at a purchase price of \$3.25 per share pursuant to a private placement.

Put Option Agreement

On September 10, 2019, 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 Series A 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 acquisition (the “Issuance Option”). In March 2020, Mr. Eberwein extended the Issuance Option through June 30, 2021. As of July 1, 2021, these put options expired un-exercised.

ATRM Notes Payable

ATRM had the following related party promissory notes (the “ATRM Notes”) outstanding as of December 31, 2020, which were repaid in full during April 2021 using proceeds from the DMS Sale Transaction:

(i) Unsecured promissory note (principal amount of \$0.7 million payable to LSV Co-Invest I), with interest payable semi-annually at a rate of 10.0% per annum (LSV Co-Invest I may elect to receive interest in-kind at a rate of 12.0% per annum), with any unpaid principal and interest previously due on January 12, 2020 (the “January Note”), subsequently extended to June 30, 2022.

(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”), subsequently extended to June 30, 2022.

(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”), subsequently extended to June 30, 2022.

Note 15. Segments

Our reportable segments are based upon our internal organizational structure; the manner in which our operations are managed; the criteria used by our Chief Executive Officer, who is our CODM, to evaluate segment performance; the availability of separate financial information; and overall materiality considerations. Under the prior period Holdco strategy, we organized our reportable segments into four reportable segments: Diagnostic Imaging, Diagnostic Services, Construction and Investments. Effective as of the first quarter of 2022, we reorganized our segments into three reportable segments by combining Diagnostic Imaging and Diagnostic Services into one Healthcare segment to reflect the manner in which our CODM assesses performance and allocates resources:

1. Healthcare
2. Construction
3. Investments

Healthcare. For physicians who wish to perform nuclear imaging, echocardiography, 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. We offer a convenient and economically efficient cardiac imaging services program as an alternative to purchasing equipment or outsourcing the procedure to an imaging center.

In addition, we manufacture and sell our internally developed solid-state gamma cameras and imaging systems, as well as provide field services through camera maintenance contracts. Our imaging systems include nuclear cardiac imaging systems, as well as general purpose nuclear imaging systems. We sell our imaging systems and service contracts 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).

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

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

Investments. We have begun to expand our investments activities and have established minority positions in the equity securities of a small number of publicly traded companies. We also hold 3 real estate assets in our portfolio, all of which we lease to our construction subsidiary, KBS. These include their principal production facility in South Paris, ME.

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 goodwill impairment. Our operating costs included in our shared service functions primarily consist of senior executive officers, finance, human resources, legal, and information technology. Star Equity shared service corporate costs have been separated from the reportable segments. Prior period presentation previously disclosed conforms to current year presentation.

Segment information for the years ended December 31, 2022 and 2021 is as follows (in thousands):

	Year ended December 31,	
	2022	2021 ⁽¹⁾
Revenue by segment:		
Healthcare	\$ 55,002	\$ 58,556
Construction	57,149	48,003
Investments	633	633
Intersegment elimination	(633)	(633)
Consolidated revenue	<u>\$ 112,151</u>	<u>\$ 106,559</u>
Gross profit (loss) by segment:		
Healthcare	13,509	12,459
Construction	12,660	3,008
Investments	343	406
Intersegment elimination	(633)	(633)
Consolidated gross profit	<u>\$ 25,879</u>	<u>\$ 15,240</u>
Income (loss) from operations by segment:		
Healthcare	440	2,035
Construction	3,560	(5,073)
Investments	192	378
Corporate, eliminations and other	(7,297)	(5,576)
Segment income (loss) from operations	<u>(3,105)</u>	<u>(8,236)</u>
Goodwill impairment ⁽²⁾	—	(3,359)
Consolidated income (loss) from operations	<u>\$ (3,105)</u>	<u>\$ (11,595)</u>
Depreciation and amortization by segment:		
Healthcare	\$ 1,262	\$ 1,315
Construction	1,974	1,931
Investments	290	226
Star equity corporate	9	—
Total depreciation and amortization	<u>\$ 3,535</u>	<u>\$ 3,472</u>

⁽¹⁾ Segment information has been recast for all periods presented to reflect Healthcare as one segment. Intersegment eliminations previously allocated to Investments have been reclassified to a separate line.

⁽²⁾ Reflects impairment of goodwill related to the Construction division.

Geographic Information. The Company's sales to customers located outside the United States for the years ended December 31, 2022 and 2021 was \$0.2 million. Our long-lived assets are attributed to geographic region based on asset location, which are all located within the United States.

Note 16. Variable Interest Entity

VIE in which we are not the Primary Beneficiary

We have an investment in a VIE of \$0.3 million, recorded in Other Assets, in which we are not the primary beneficiary. This VIE is a small private company that is primarily involved in research related to new heart imaging technologies.

We have determined that the governance structures of this entity do not allow us to direct the activities that would significantly affect its economic performance. Therefore, we are not the primary beneficiary, and the results of operations and financial position of the VIE are not included in our consolidated financial statements. We account for this investment as non-marketable equity securities which is valued at cost less impairment.

The potential maximum exposure of this unconsolidated VIE is generally based on the current carrying value of the investments and any future funding commitments based on the milestone agreement and board approval. We have determined that the single source of our exposure to the VIE is our capital investment in them. The carrying value and maximum exposure of the unconsolidated VIE were \$0.3 million as of December 31, 2022. As of December 31, 2022, we performed a qualitative assessment on the carrying value via inquiries with the board of directors and a review of the entity's financial statements and determined that there have not been any impairment indicators to the carrying value.

Note 17. Perpetual Preferred Stock

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

On May 26, 2021 and August 16, 2021, our board of directors declared a cash dividend to holders of the 10% Series A Cumulative Perpetual Preferred Stock of \$0.25 per share, for an aggregate amount of approximately \$0.48 million, respectively. The record dates for these dividends were June 1, 2021 and September 1, 2021, respectively, and the payment dates were June 11, 2021 and September 13, 2021, respectively. Additionally, on November 22, 2021, our board of directors declared a cash dividend to holders of the Company's 10% Series A Preferred Stock of \$1.556 per share, which represents all accumulated and unpaid dividends on the preferred shares for an aggregate amount of \$3.5 million. The record date for this dividend was December 1, 2021, and the payment date was December 10, 2021.

On February 25, 2022, May 19, 2022, August 19, 2022 and November 17, 2022 our board of directors declared cash dividends to holders of our Series A Preferred Stock of \$0.25 per share, for an aggregate amount of approximately \$1.9 million. The record dates for these dividends were March 1, 2022, June 1, 2022, September 1, 2022 and December 1, 2022, respectively, and the payment dates were March 10, 2022, June 10, 2022, September 12, 2022 and December 12, 2022 respectively. As of December 31, 2022 and 2021, we have no preferred dividends in arrears.

On February 17, 2023, our board of directors declared a cash dividend to holders of the Company's 10% Series A Cumulative Perpetual Preferred Stock of \$0.25 per share for an aggregate amount of approximately \$0.5 million. The record date for this dividend was March 1, 2023, and the payment date was March 10, 2023.

A roll forward of the balance of Company Preferred Stock for the year ended December 31, 2022 is as follows (in thousands):

Balance at December 31, 2021	\$	18,988
Deemed dividend on Series A Preferred Stock		1,916
Cash Dividend paid on Preferred Stock		(1,916)
Balance at December 31, 2022	\$	18,988

Note 18. Equity Transactions

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

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

As of December 31, 2022, of the warrants issued through the public offering we closed on May 28, 2020 (the “2020 Public Offering”), 1.0 million warrants were exercised and 1.4 million warrants remained outstanding, which represents 0.7 million shares of common stock equivalents, at an exercise price of \$2.25. As of December 31, 2022, of the Warrants issued through the 2022 Public Offering, there were 10.9 million warrants and 0.3 million prefunded warrants outstanding at an exercise price of \$1.50 and \$0.01, respectively. The Underwriter’s Warrants have not been exercised.

Note 19. Preferred Stock Rights

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

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

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

No rights were exercisable at December 31, 2022. There is no impact to financial results as a result of the adoption of the 382 Agreement for the year ended December 31, 2022.

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

None.

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

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

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). Internal control over financial reporting is a process designed under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework (2013 Framework). Based on this assessment, our management concluded that, as of December 31, 2022, our internal control over financial reporting was effective based on those criteria.

Remediation of Material Weakness

The Company and its Board of Directors are committed to maintaining a strong internal control environment. Following the identification of the material weakness described in our Annual Report on Form 10-K for the year ended December 31, 2021, related to insufficient complement of accounting resources to address complex accounting matters across all operating entities and to allow timely completion of financial reporting and accounting activities, including sufficiently precise management review controls, we initiated remediation measures to address the material weakness. Management believes that it has completed its updates to the design and implementation of internal controls to remediate the material weakness and enhance the Company's internal control environment. As previously reported, the remediation plan was implemented during the first quarter of 2022 to update our design and implementation of controls to remediate the aforementioned deficiency and enhance the Company's internal control environment. The Company has made staffing changes to enhance the Company's complement of accounting resources including strategic new hires and has increased its investments in technical education throughout the year. Management believes that such enhanced controls have been designed to address the material weakness. We completed our remediation activities by testing the operating effectiveness of the enhanced controls and found them to be effective. Based on the implementation work and results of testing performed, we have concluded that the previously identified material weakness has been remediated as of December 31, 2022.

Changes in Internal Control over Financial Reporting

Except as described above, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 under the Exchange Act that occurred during fourth quarter of 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Pursuant to Paragraph G(3) of the General Instructions to Form 10-K, the information required by Part III (Items 10, 11,12, 13, and 14) is being incorporated by reference to the applicable information in our definitive proxy statement (or an amendment to our Annual Report on Form 10-K) to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2022 in connection with our Annual Meeting of Stockholders to be held in 2023.

Code of Ethics

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

ITEM 11. EXECUTIVE COMPENSATION

See Item 10.

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

See Item 10.

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

See Item 10.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

In connection with the audit of the 2022 consolidated financial statements, we entered into an engagement agreement with Wolf & Company, PC (“Wolf”) which sets forth the terms by which Wolf has performed audit and related professional services for us.

The information required by this Item 14 is incorporated by reference from the “Audit Matters” section of the 2023 Proxy Statement.

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, 2022:

- Report of Independent Registered Public Accounting Firm
- Consolidated Statements of Operations for the Years Ended December 31, 2022 and 2021
- Consolidated Balance Sheets at December 31, 2022 and 2021
- Consolidated Statements of Cash Flows for the Years Ended December 31, 2022 and 2021
- Consolidated Statements of Mezzanine and Stockholders' Equity for the Years Ended December 31, 2022 and 2021
- 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	<u>Underwriting Agreement, dated January 19, 2022, between Star Equity Holdings, Inc. 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 January 25, 2022).</u>
2.1	<u>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.</u>
2.2	<u>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.</u>
2.3	<u>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).</u>
2.4	<u>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).</u>
2.5	<u>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.</u>
2.6	<u>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).</u>
3.1	<u>Restated Certificate of Incorporation of Digirad Corporation (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on May 3, 2006).</u>
3.2	<u>Certificate of Designation of Rights, Preferences and Privileges of Series B Participating Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 24, 2013).</u>
3.3	<u>Certificate of Amendment of the Restated Certificate of Incorporation of Digirad Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 5, 2015).</u>
3.4	<u>Certificate of Amendment of the Restated Certificate of Incorporation of Digirad Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 1, 2018).</u>
3.5	<u>Amended and Restated Bylaws of Digirad Corporation dated May 4, 2007 and Amendment No. 1 to the Amended and Restated Bylaws of Digirad Corporation dated April 5, 2017 (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 1, 2017).</u>
3.6	<u>Certificate of Amendment of the Restated Certificate of Incorporation of Digirad Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 31, 2019).</u>
3.7	<u>Certificate of Designations, Rights and Preferences of 10% Series A Cumulative Perpetual Preferred Stock of Digirad Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on September 11, 2019).</u>
3.8	<u>Certificate of Amendment of the Restated Certificate of Incorporation of Digirad Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on December 28, 2020).</u>

Exhibit Number	Description
3.9	<u>Certificate of Designation of Series C Participating Preferred Stock of Star Equity Holdings, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on June 2, 2021).</u>
3.10	<u>Certificate of Amendment of the Restated Certificate of Incorporation of Star Equity Holdings, Inc. (incorporated by reference to Annex B to the Company's Definitive Proxy Statement filed with the Commission on September 22, 2021).</u>
3.11	<u>Certificate of Amendment to Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on June 2, 2022).</u>
3.12	<u>Amended and Restated Certificate of Designations, Rights and Preferences of 10% Series A Cumulative Perpetual Preferred Stock of the Company (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the Commission on June 2, 2022).</u>
4.1	<u>Form of Specimen Stock Certificate (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-1 (File No. 333-113760) filed with the Commission on March 19, 2004).</u>
4.2	<u>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).</u>
4.3	<u>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).</u>
4.4	<u>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).</u>
4.5	<u>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).</u>
4.6	<u>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).</u>
4.7	<u>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).</u>
4.8	<u>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).</u>
4.9	<u>Description of Registrant's Securities (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 13, 2020).</u>
4.10	<u>Form of Maxim Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on May 29, 2020, referencing Exhibit 1.1 (Underwriting Agreement) to the same Current Report on Form 8-K).</u>
4.11	<u>Form of Warrant (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the Commission on May 29, 2020).</u>
4.12	<u>Warrant Agent Agreement, dated May 28, 2020, between Digirad Corporation and American Stock Transfer & Trust Company, LLC. (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the Commission on May 29, 2020).</u>
4.13	<u>Rights Agreement, dated as of June 2, 2021, by and between Star Equity Holdings, Inc. and American Stock Transfer & Trust Company, LLC, as Rights Agent (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on June 2, 2021).</u>
4.14	<u>Tax Benefit Preservation Plan by and between Star Equity Holdings, Inc. and American Stock Transfer & Trust Company, dated as of June 2, 2021 (incorporated by reference to Annex A to the Company's Definitive Proxy Statement filed with the Commission on September 22, 2021).</u>
4.15	<u>Form of Pre-Funded Common Stock Purchase Warrant (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the Commission on January 25, 2022).</u>

Exhibit Number	Description
4.16	<u>Form of Common Stock Purchase Warrant (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the Commission on January 25, 2022).</u>
4.17	<u>Warrant Agent Agreement, dated January 10, 2022, between Star Equity Holdings, Inc. and American Stock Transfer & Trust Company, LLC (incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed with the Commission on January 25, 2022).</u>
4.18	<u>Underwriter's Warrant (incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed with the Commission on January 25, 2022, referencing Exhibit 1.1 of this Registration Statement (Underwriting Agreement) to the same Current Report on Form 8-K).</u>
10.1#	<u>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).</u>
10.2#	<u>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).</u>
10.3#	<u>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).</u>
10.4#	<u>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).</u>
10.5#	<u>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).</u>
10.6#	<u>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).</u>
10.7#	<u>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).</u>
10.8#	<u>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).</u>
10.9#	<u>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).</u>
10.10#	<u>Digirad Corporation 2014 Equity Incentive Award Plan (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 filed with the Commission on June 6, 2014).</u>
10.11#	<u>Form Indemnification Agreement of the Company for directors and officers (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K filed with the Commission on March 6, 2015).</u>
10.12	<u>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).</u>
10.13	<u>Consolidated Agreements, dated April 1, 2014, between DMS Health Technologies, Inc. and Philips Healthcare, a Division of Philips Electronics North America Corporation (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 3, 2017).</u>
10.14	<u>Amendment, dated June 9, 2015, to the Consolidated Agreements between DMS Health Technologies, Inc. and Philips Healthcare, a Division of Philips Electronics North America Corporation (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 10-Q filed with the Commission on November 3, 2017).</u>
10.15#	<u>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).</u>
10.16#	<u>Form of 2018 Incentive Plan Restricted Stock Unit Agreement (incorporated by reference to Exhibit 99.2 to the Company's Registration Statement on Form S-8 filed with the Commission on November 6, 2018).</u>
10.17#	<u>Form of 2018 Incentive Plan Restricted Stock Unit Agreement (Performance Based) (incorporated by reference to Exhibit 99.3 to the Company's Registration Statement on Form S-8 filed with the Commission on November 6, 2018).</u>

Exhibit Number	Description
10.18#	<u>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).</u>
10.19#	<u>Indemnification Agreement, by and between Digirad Corporation and David Noble, dated October 25, 2018 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 5, 2018).</u>
10.20	<u>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).</u>
10.21	<u>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.</u>
10.22	<u>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.</u>
10.23	<u>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.</u>
10.24	<u>Lease Agreement, dated April 3, 2019, by and between KBS Builders, Inc. and 947 Waterford Road, LLC (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on April 3, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.</u>
10.25	<u>Lease Agreement, dated April 3, 2019, by and between KBS Builders, Inc. and 300 Park Street, LLC (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the Commission on April 3, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.</u>
10.26	<u>Lease Agreement, dated April 3, 2019, by and between KBS Builders, Inc. and 56 Mechanic Falls Road, LLC (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 8, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.</u>
10.27	<u>First Amendment to Lease, dated April 18, 2019, by and between 56 Mechanic Falls Road, LLC and KBS Builders, Inc. (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 8, 2019).</u>
10.28	<u>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.</u>
10.29	<u>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).</u>
10.30	<u>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).</u>
10.31	<u>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).</u>

Exhibit Number	Description
10.32	<u>Consent and Acknowledgment Agreement and Twelfth Amendment to Loan Agreement, dated as of September 10, 2019, by and among Gerber Finance Inc., KBS Builders, Inc., ATRM Holdings, Inc. and Digirad Corporation. (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on September 11, 2019).</u>
10.33	<u>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).</u>
10.34	<u>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).</u>
10.35	<u>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).</u>
10.36	<u>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).</u>
10.37	<u>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).</u>
10.38	<u>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).</u>
10.39	<u>Third Agreement of Amendment to the Loan and Security Agreement, dated as of September 29, 2017, by and among Gerber Finance, Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.3 to ATRM Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Commission on April 16, 2019).</u>
10.40	<u>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).</u>
10.41	<u>Fourth Agreement of Amendment to Loan and Security Agreement, dated as of July 20, 2017, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.1 to ATRM Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Commission on April 16, 2019).</u>
10.42	<u>Fifth Agreement of Amendment to Loan and Security Agreement, dated as of September 29, 2017, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.2 to ATRM Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Commission on April 16, 2019).</u>
10.43	<u>Sixth Agreement of Amendment to Loan and Security Agreement, dated as of December 22, 2017, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.22 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).</u>
10.44	<u>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).</u>
10.45	<u>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).</u>
10.46	<u>Eighth Agreement of Amendment to Loan and Security Agreement, dated as of October 1, 2018, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.25 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).</u>

Exhibit Number	Description
10.47	<u>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).</u>
10.48	<u>Ninth Agreement of Amendment to Loan and Security Agreement, dated as of February 22, 2019, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.29 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).</u>
10.49	<u>Tenth Agreement of Amendment to Loan and Security Agreement, dated as of April 1, 2019, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.30 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).</u>
10.50	<u>Fifth Agreement of Amendment to Loan and Security Agreement, dated as of April 1, 2019, by and among Gerber Finance Inc., Edgebuilder, Inc., Glenbrook Building Supply Inc., ATRM Holdings, Inc. and KBS Builders, Inc. (incorporated by reference to Exhibit 10.31 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).</u>
10.51	<u>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).</u>
10.52	<u>Eleventh Agreement of Amendment to Loan and Security Agreement, dated as of April 15, 2019, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.39 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).</u>
10.53	<u>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).</u>
10.54	<u>Loan and Security Agreement, dated January 31, 2020, by and among Star Real Estate Holdings USA, Inc., 300 Park Street, LLC, 947 Waterford Road, LLC, 56 Mechanic Falls Road, LLC, ATRM Holdings, Inc., EdgeBuilder, Inc., Glenbrook Building Supply, Inc., KBS Builders, Inc., Digirad Corporation, and Gerber Finance Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on February 6, 2020). Schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.</u>
10.55	<u>Loan and Security Agreement, dated January 31, 2020, by and among EdgeBuilder, Inc., Glenbrook Building Supply, Inc., Star Real Estate Holdings USA, Inc., 300 Park Street, LLC, 947 Waterford Road, LLC, 56 Mechanic Falls Road, LLC, ATRM Holdings, Inc., KBS Builders, Inc., Digirad Corporation, and Gerber Finance Inc. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on February 6, 2020). Schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.</u>
10.56	<u>Extension and Modification Agreement, dated January 31, 2020, by and among EdgeBuilder, Inc., Glenbrook Building Supply, Inc. and Premier Bank (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on February 6, 2020).</u>
10.57	<u>Thirteenth Amendment to Loan and Security Agreement, dated January 31, 2020, by and among Gerber Finance Inc., KBS Builders, Inc., ATRM Holdings, Inc., and Digirad Corporation (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on February 6, 2020).</u>
10.58	<u>First Amendment to Loan and Security Agreement, dated February 20, 2020, by and among Star Real Estate Holdings USA, Inc., 300 Park Street, LLC, 947 Waterford Road, LLC, 56 Mechanic Falls Road, LLC and Gerber Finance Inc (incorporated by reference to Exhibit 10.63 to the Company's Annual Report on Form 10-K filed with the Commission on March 9, 2020).</u>
10.59	<u>First Amendment to Loan and Security Agreement Dated January 31, 2020, dated as of March 5, 2020, by and among Gerber Finance Inc., EdgeBuilder, Inc. and Glenbrook Building Supply, Inc.; and Consent and as a Fourteenth Amendment to Loan and Security Agreement Dated February 23, 2016, by and among Gerber Finance Inc., KBS Builders, Inc., ATRM Holdings, Inc. and Digirad Corporation (incorporated by reference to Exhibit 10.64 to the Company's Annual Report on Form 10-K filed with the Commission on March 9, 2020).</u>
10.60	<u>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).</u>

Exhibit Number	Description
10.61	<u>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).</u>
10.62	<u>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).</u>
10.63	<u>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).</u>
10.64	<u>Second Amendment to Loan and Security Agreement, dated April 30, 2020, by and among Star Real Estate Holdings USA, Inc., 300 Park Street, LLC, 947 Waterford Road, LLC, 56 Mechanic Falls Road, LLC and Gerber Finance Inc. (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 15, 2020).</u>
10.65	<u>Fifteenth Amendment to Loan and Security Agreement dated April 1, 2020, between KBS Builders, Inc. and Gerber Finance Inc. (incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 15, 2020).</u>
10.66	<u>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).</u>
10.67	<u>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).</u>
10.68	<u>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).</u>
10.69	<u>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).</u>
10.70	<u>Second Amendment to Loan and Security Agreement, dated July 1, 2020, by and among Gerber Finance Inc., EdgeBuilder, Inc., and Glenbrook Building Supply, Inc. (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 13, 2020).</u>
10.71	<u>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).</u>
10.72	<u>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, Inc., Star Equity Holdings, Inc., and Sterling National Bank (incorporated by reference to Exhibit 10.72 to the Company's Annual Report on Form 10-K filed with the Commission on March 29, 2021).</u>
10.73	<u>Sixteenth Amendment to Loan and Security Agreement, dated January 5, 2021, by and among Gerber Finance Inc., KBS Builders, Inc., ATRM Holdings, Inc., and Star Equity Holdings, Inc. (incorporated by reference to Exhibit 10.78 to the Company's Annual Report on Form 10-K filed with the Commission on March 29, 2021).</u>
10.74	<u>Seventeenth Amendment to Loan and Security Agreement, dated February 26, 2021, by and among Gerber Finance Inc., KBS Builders, Inc., ATRM Holdings, Inc., and Star Equity Holdings, Inc. (incorporated by reference to Exhibit 10.74 to the Company's Annual Report on Form 10-K filed with the Commission on March 29, 2021).</u>
10.75	<u>Third Amendment to Loan and Security Agreement, dated January 31, 2020, by and among Gerber Finance Inc., Star Real Estate Holdings USA, Inc., 300 Park Street, LLC, 947 Waterford Road, LLC, and 56 Mechanic Falls Road, LLC. (incorporated by reference to Exhibit 10.75 to the Company's Annual Report on Form 10-K filed with the Commission on March 29, 2021).</u>
10.76	<u>Third Amendment to Loan and Security Agreement, dated January 31, 2020, by and among Gerber Finance Inc., EdgeBuilder, Inc., and Glenbrook Building Supply, Inc. (incorporated by reference to Exhibit 10.75 to the Company's Annual Report on Form 10-K filed with the Commission on March 29, 2021).</u>

Exhibit Number	Description
10.77	<u>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. (incorporated by reference to Exhibit 10.77 to the Company's Annual Report on Form 10-K filed with the Commission on March 29, 2021).</u>
10.78	<u>Amendment to Stock Purchase Agreement dated as of March 26, 2021, by and between Project Rendezvous Acquisition Corporation and Knob Creek Acquisition Corp. (incorporated by reference to Exhibit 10.78 to the Company's Annual Report on Form 10-K filed with the Commission on March 29, 2021).</u>
10.79	<u>Second Amendment to Loan and Security Agreement, Consent and Release, dated March 31, 2021, by and among Digirad Health, Inc., Digirad Imaging Solutions, Inc., DMS Health Technologies, Inc., DMS Imaging, Inc., DMS Health Technologies-Canada, Inc., Project Rendezvous Holding Corporation, Project Rendezvous Acquisition Corporation, Digirad Diagnostic Imaging, Inc., Star Equity Holdings, Inc., and Sterling National Bank (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on April 1, 2021).</u>
10.80	<u>Waterford Sale Agreement, dated June 9, 2021, by and between 947 Waterford Road, LLC, and Barnum Holdings, LLC (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 10, 2021).</u>
10.81	<u>Gerber KBS Eighteenth Amendment to Loan and Security Agreement, dated July 30, 2021, by and among Gerber Finance Inc., KBS Builders, Inc., ATRM Holdings, Inc., and Star Equity Holdings, Inc. (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 10, 2021).</u>
10.82	<u>Star Real Estate Holdings USA, Inc. Subordination Agreement, dated July 30, 2021, among Star Real Estate Holdings USA, Inc., and Gerber Finance Inc. (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 10, 2021).</u>
10.83	<u>Star Equity Holdings Inc. Amended and Restated Subordination Agreement, dated July 30, 2021, by and among Star Equity Holdings, Inc., and Gerber Finance Inc. (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 10, 2021).</u>
10.84	<u>Gerber EBGL Fourth Amendment to Loan and Security Agreement, dated July 30, 2021, by and among Gerber Finance Inc., EdgeBuilder, Inc., and Glenbrook Building Supply, Inc. (incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 10, 2021).</u>
10.85	<u>Gerber EBGL Amended and Restated Promissory Note, dated July 30, 2021, by and among EdgeBuilder, Inc., and Glenbrook Building Supply, Inc. (incorporated by reference to Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 10, 2021).</u>
10.86	<u>Gerber EBGL Fifth Amendment to Loan and Security Agreement, dated October 21, 2021, by and among Gerber Finance Inc., EdgeBuilder, Inc., and Glenbrook Building Supply, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 12, 2021).</u>
10.87	<u>Securities Purchase Agreement, dated December 10, 2021, between Star Equity Holdings, Inc. and the purchaser signatory thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on December 13, 2021).</u>
10.88	<u>Lock-Up Agreement, dated December 10, 2021, between Star Equity Holdings, Inc. and the purchaser signatory thereto (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on December 13, 2021).</u>
10.89	<u>Gerber EBGL Sixth Amendment to Loan and Security Agreement, dated January 20, 2022, by and among Gerber Finance Inc., EdgeBuilder, Inc., and Glenbrook Building Supply, Inc. (incorporated by reference to Exhibit 10.89 to the Company's Annual Report on Form 10-K filed with the Commission on March 31, 2022).</u>
10.90	<u>Gerber EBGL Seventh Amendment to Loan and Security Agreement, dated March 8, 2022, by and among Gerber Finance Inc., EdgeBuilder, Inc., and Glenbrook Building Supply, Inc. (incorporated by reference to Exhibit 10.90 to the Company's Annual Report on Form 10-K filed with the Commission on March 31, 2022).</u>
10.91	<u>Gerber KBS Nineteenth Amendment to Loan and Security Agreement, dated March 8, 2022, by and among Gerber Finance Inc. and KBS Builders, Inc. (incorporated by reference to Exhibit 10.91 to the Company's Annual Report on Form 10-K filed with the Commission on March 31, 2022).</u>

Exhibit Number	Description
10.92	<u>Employment Agreement, dated as of March 31, 2022 between Star Equity Holdings, Inc. and Richard K. Coleman, Jr. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on April 4, 2022).</u>
10.93	<u>Separation Agreement and Release between the Company and Matthew G. Molchan, dated April 19, 2022 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on April 22, 2022).</u>
10.94	<u>Form of Pre-Funded Common Stock Purchase Warrant (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the Commission on January 25, 2022).</u>
10.95	<u>Form of Common Stock Purchase Warrant (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the Commission on January 25, 2022).</u>
10.96	<u>Warrant Agent Agreement, dated January 10, 2022, between Star Equity Holdings, Inc. and American Stock Transfer & Trust Company, LLC (incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed with the Commission on January 25, 2022).</u>
10.97	<u>Employment Agreement, dated as of March 31, 2022 between Star Equity Holdings, Inc. and Richard K. Coleman, Jr. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on April 4, 2022).</u>
10.98	<u>Separation Agreement and Release between the Company and Matthew G. Molchan, dated April 19, 2022 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on April 22, 2022).</u>
10.99	<u>Form of 2018 Incentive Plan, As Amended of Star Equity Holdings, Inc. (incorporated by reference to Annex B to the Company's Definitive Proxy Statement filed with the Commission on April 29, 2022).</u>
10.100	<u>eCapital EBGL Eighth Amendment to Loan and Security Agreement, dated August 11, 2022, by and among eCapital Asset Based Lending Corp., EdgeBuilder, Inc., and Glenbrook Building Supply, Inc. (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 12, 2022).</u>
10.101	<u>2022 Inducement Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on October 31, 2022).</u>
10.102	<u>eCapital EBGL Ninth Amendment to Loan and Security Agreement, dated September 1, 2022, by and among eCapital Asset Based Lending Corp., EdgeBuilder, Inc., and Glenbrook Building Supply, Inc. (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2022).</u>
10.103	<u>eCapital KBS Twentieth Amendment to Loan and Security Agreement, dated September 27, 2022, by and among eCapital Asset Based Lending Corp. and KBS Builders, Inc. (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2022).</u>
10.104*	<u>eCapital EBGL Eleventh Amendment to Loan and Security Agreement, dated December 31, 2022, by and among eCapital Asset Based Lending Corp., EdgeBuilder, Inc., and Glenbrook Building Supply, Inc.</u>
10.105*	<u>eCapital KBS Twenty-First Amendment to Loan and Security Agreement, dated December 31, 2022, by and among eCapital Asset Based Lending Corp. and KBS Builders, Inc.</u>
10.106*	<u>Fourth Amendment to Loan and Security Agreement, dated December 31, 2022, by and among Gerber Finance Inc., Star Real Estate Holdings USA, Inc., 300 Park Street, LLC, 947 Waterford Road, LLC, and 56 Mechanic Falls Road, LLC.</u>
21.1*	<u>Subsidiaries of Star Equity Holdings, Inc.</u>
23.1*	<u>Consent of Wolf & Company, P.C., Independent Registered Public Accounting Firm</u>
23.2*	<u>Consent of BDO USA, LLP, Independent Registered Public Accounting Firm</u>
24.1*	<u>Power of Attorney (included on the signature page of this Form 10-K)</u>
31.1*	<u>Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2*	<u>Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1*+	<u>Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
32.2*+	<u>Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>

Exhibit Number	Description
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
104.1	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).

Indicates management contract or compensatory plan.

* Filed herewith.

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

ITEM 16. FORM 10-K SUMMARY

None.

**ELEVENTH AMENDMENT TO LOAN AND SECURITY AGREEMENT
DATED JANUARY 31, 2020**

THIS ELEVENTH AMENDMENT TO LOAN AND SECURITY AGREEMENT DATED JANUARY 31, 2020 (this “Eleventh Amendment”) is entered into as of this 31st day of December, 2022 (the “Effective Date”), by and among **eCapital Asset Based Lending Corp., formerly known as 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, (individually or collectively, as the context may require, “Guarantor”), each Borrower and Guarantor having an address at 53 Forest Ave, Old Greenwich, CT 06870.

RECITALS

A. Lender and Borrowers entered into a Loan and Security Agreement dated as of January 31, 2020, as amended by (i) First Amendment to Loan and Security Agreement dated March 5, 2020 and (ii) Second Amendment to Loan and Security Agreement dated July 1, 2020 and (iii) Third Amendment to Loan and Security Agreement dated February 26, 2021 and (iv) Fourth Amendment to Loan and Security Agreement dated July 30, 2021 and (v) Fifth Amendment to Loan and Security Agreement dated October 21, 2021 and (vi) Sixth Amendment to Loan and Security Agreement dated January 20, 2022 and (vii) Seventh Amendment to Loan and Security Agreement dated March 8, 2022 and (viii) Eighth Amendment to Loan and Security Agreement dated August 11, 2022, (ix) Ninth Amendment to Loan and Security Agreement dated September 1, 2022, and (x) Tenth Amendment to Loan and Security Agreement dated November 29, 2022 (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. Star Equity Holdings, Inc. has executed an Amended and Restated Subordination Agreement dated July 30, 2021 and is a Subordinated Lender as defined in the Loan Agreement.

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

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

G. Borrowers have executed an Amended and Restated Note in the maximum principal amount of \$4,000,000 dated July 30, 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 Eleventh 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 Eleventh Amendment.

2. In the case of any ambiguity or inconsistency between the Credit Documents and this Eleventh Amendment, the language and interpretation of this Eleventh 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 in **Section 1.1** are hereby amended and restated to read as follows:

“Credit Documents” means this Agreement, the Note, each Guaranty, each Pledge and Security Agreement, each Securities Account Control Agreement, each Power of Attorney, each Mortgage, each Subordination Agreement, each Intercreditor Agreement, and all other documents, instruments and agreements now or hereafter executed and/or delivered in connection herewith, therewith, or any of the Obligations and/or as any or all of the foregoing documents, instruments, and agreements may now or hereafter be amended.

“Maturity Date” means the earlier of (a) June 30, 2023, or (b) the date that any Borrower of any Obligations elects to prepay any Obligations on a date earlier than when due. If extended pursuant to Section 11.1 of the Loan Agreement, the next subsequent Maturity Date is December 31, 2023 whereupon the automatic one (1) year conditions of extension in Section 11.1 apply.”

“Minimum Average Monthly Loan Amount” means Twenty-Five Percent (25%) of the Maximum Revolving Amount.”

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

(b) **Section 3.1** is hereby amended and restated to read as follows:

“3.1. Repayment of the Revolving Credit Advances. Except as otherwise provided in Section 2.1 hereof, Borrowers shall be required to (a) make a mandatory repayment hereunder at any time that the aggregate outstanding principal balance of the Revolving Credit Advances made by Lender to Borrowers hereunder is in excess of the Borrowing Base and/or Maximum Revolving Amount, in an amount equal to such excess, and (b) repay and cause to be repaid on the expiration of the Term (i) the then aggregate outstanding principal balance of Revolving Credit Advances made by Lender to Borrowers hereunder together with accrued and unpaid interest, fees and charges and (ii) all Obligations owed Lender by any Credit Party under this

Agreement and the Credit Documents. Any payments of principal, interest, fees or any other amounts payable hereunder or under any Credit Document shall be made prior to 12:00 noon (New York time) on the due date thereof in immediately available funds. Borrowers may elect to prepay all of the Revolving Loan Advances in accordance with the provisions of Section 11.1 of the Loan Agreement, at which date all of the Obligations owed Lender by any Credit Party under this Agreement and the Credit Documents shall be similarly and simultaneously due and payable.”

(c) **Section 5.1(b)** is hereby amended and restated to read as follows:

“(b) Fees.

(i) Minimum Loan Fee. In the event the average closing daily unpaid balances of all Loans hereunder during any calendar month is less than the Minimum Average Monthly Loan Amount, Borrowers shall pay to Lender a minimum loan fee at a rate per annum equal to the Contract Rate on the amount by which the Minimum Average Monthly Loan Amount exceeds such average closing daily unpaid balances. Such fee shall be charged to Borrowers’ account on the first day of each month with respect to the prior month. The Minimum Loan Fee is not payable during the period commencing the Effective Date of the Eleventh Amendment until June 30, 2023. Thereafter, payment thereof shall resume by Borrowers.

(ii) Facility Fee. Borrowers hereby agree to pay Lender a facility fee in an amount equal to one and one-half percent (1.50%) of the Maximum Revolving Amount on (a) the Closing Date and (b) on each period of extension pro-rated for the number of months of each extension (whether six (6) month or one (1) year) which occurs prior to the Maturity Date as provided in Section 11.1 of the Loan Agreement. The facility fee for each period until the Maturity Date shall be deemed fully earned on the date due and shall be payable by a charge to Borrowers’ account upon the earlier of each due date or the termination of this Agreement for any reason.

(iii) Collateral Monitoring Fee. Borrowers shall pay Lender a monthly collateral monitoring fee in an amount equal to 0.10% of the Maximum Revolving Amount per month, payable on the Closing Date and one the first day of each month thereafter until the Maturity Date. The Collateral Monitoring Fee for each month ending prior to the Maturity Date shall be deemed fully earned on the Closing Date and shall be payable by a charge to Borrowers’ account upon the earlier of the due date during the Term or the termination of this Agreement for any reason.

(iv) Field Examination Fee. Upon Lender’s performance of any collateral monitoring and/or verification including any field examination, collateral analysis or other business analysis, the need for which is to be determined by Lender and which monitoring is undertaken by Lender or for Lender’s benefit, an amount equal to the established rate by Lender from time to time which rate on the Closing Date is \$1,250 per day for each person employed to perform such monitoring together with all costs, disbursements and expenses incurred by Lender and the person

performing such collateral monitoring and/or verification shall be charged to Borrowers' account.

(v) Collection Fees. For purposes of determining the balance of the Loans outstanding, Lender will credit (conditional upon final collection) all such payments to Borrowers' account upon receipt by Lender of good funds in dollars of the United States of America in Lender's account, provided, however, for purposes of computing interest on the Obligations, Lender will credit (conditional upon final collection) all such payments to Borrowers' account three (3) Business Days after receipt by Lender of good funds in dollars of the United States of America in Lender's account. Any amount received by Lender after 12:00 noon (New York time) on any Business Day shall be deemed received on the next Business Day.

(vi) Overline/Overadvance Fees. 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 or any Permitted Overline, Lender may impose fees in connection therewith.

a. For any Permitted Overline, such fees shall include (i) a monthly fee in the amount of one and one-half percent (1.50%) of the greater of (A) the highest amount by which the amount of the Permitted Overline during such month exceeds the Borrowing Base and (B) if any, the amount approved by Lender for such Permitted Overline in excess of the Borrowing Base for such month and (ii) one and one-half percent (1.50%) of the greater of (A) the highest amount by which the Permitted Overline during such month exceeds the Maximum Revolving Amount and (B) if any, the amount approved by Lender for such Permitted Overline 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.

b. For any Permitted Concentration Related Overadvance, such fees shall include (i) a monthly fee in the amount of one and twenty five hundredths percent (1.25%) of the greater of (A) the highest amount by which the amount of Permitted Concentration Related Overadvance during such month exceeds the Borrowing Base and (B) if any, the amount approved by Lender for such Permitted Concentration Related Overadvance in excess of the Borrowing Base for such month and (ii) of one and twenty five hundredths percent (1.25%) of the greater of (A) the highest amount by which the Permitted Concentration Related Overadvance during such month exceeds the Maximum Revolving Amount and (B) if any, the amount approved by Lender for such Permitted Concentration Related Overadvance 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.

(vii) Wire/Check Fee. For each wire transfer or check issued by Lender, on behalf of a Borrower, Borrowers shall pay Lender Lender's standard fee for such service which fee is \$45 as of the Closing Date."

(d) **Section 11.1 is hereby amended and restated to read as follows:**

“11.1 Term of Agreement. Any obligation of Lender to make Loans and extend their financial accommodations under this Agreement or any Credit Document shall continue in full force and effect until the expiration of the Term. The termination of the Agreement shall not affect any of Lender’s rights hereunder or any Credit Document and the provisions hereof and thereof shall continue to be fully operative until all transactions entered into, rights or interests created and the Obligations have been disposed of, concluded or liquidated. The Maturity Date shall be automatically extended for a successive period of six (6) months until December 31, 2023 and then one (1) year for each extension thereafter unless (a) Borrowing Representative shall have provided Lender with a written notice of termination, at least sixty (60) days prior to the expiration of the Maturity Date or any renewal of the Maturity Date or (b) Lender provides written notice of termination to Borrowing Representative at least sixty (60) days prior to the expiration of the Maturity Date or any renewal of the Maturity Date. Notwithstanding the foregoing, Lender shall release its security interests at any time after thirty (30) days notice and upon payment to it of all Obligations if each Credit Party shall have (i) provided Lender with an executed release of any and all claims which Credit Parties may have or thereafter have under this Agreement and/or any Credit Document and (ii) paid to Lender an amount equal to (A) the monthly interest on the Minimum Average Monthly Loan Amount calculated based on the interest rate in effect on the date of such payment multiplied by (B) the difference between (I) the number of full months from the Closing Date until the Maturity Date and (II) the number of full months which have elapsed from the Closing Date until the payment of the fee hereunder. In addition, Borrowers shall pay to Lender the Collateral Monitoring Fee for each month from the date of repayment until the Maturity Date. These fees shall also be due and payable to Lender upon termination of this Agreement by Lender after the occurrence of an Event of Default. In addition to the foregoing, a termination fee of One Hundred Thousand (\$100,000.00) Dollars (“Collective Termination Fee”) shall be due and payable collectively by all Borrowers on the Obligations simultaneously with the foregoing if payment of any of the Obligations becomes due and payable or is otherwise paid for any reason before June 30, 2023. The Collective Termination Fee shall also be due and payable on June 30, 2023 if payment of any of the Obligations becomes due and payable for any reason on June 30, 2023; but upon such payment none of the other fees which would be payable upon a termination as provided in this Section 11.1 shall be due and payable. The Collective Termination Fee is not due and payable at any other times.”

4. 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 Eleventh Amendment

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

6. 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.

7. 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.

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

9. To the extent that any provision of this Eleventh 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 Eleventh Amendment invalid or unenforceable. This Eleventh Amendment is to be construed and enforced as if such invalid or unenforceable provision or part thereof were omitted.

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

11. THIS ELEVENTH 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.

12. The parties to this Eleventh 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 Eleventh Amendment, the enforceability and interpretation of the terms contained in this Eleventh Amendment and the consummation of the transactions and matters covered by this Eleventh Amendment.

13. Borrowers agree to pay all attorneys' fees and other costs incurred by Lender or otherwise payable in connection with this Eleventh 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.

14. This Eleventh 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 Eleventh Amendment by facsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Eleventh Amendment. Any party delivering an executed counterpart of this Eleventh Amendment by facsimile or other electronic method of transmission also shall deliver an original executed counterpart of this Eleventh Amendment but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Eleventh Amendment.

15. **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 ELEVENTH 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 Eleventh Amendment to be executed as of the Effective Date.

LENDER:

eCAPITAL ASSET BASED LENDING CORP., formerly known as GERBER FINANCE, INC.

By: /s/ ELENA GOYNATSKY
Name: Elena Goynatsky
Title: Senior Vice President

BORROWER:

EDGEBUILDER, INC.

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

GLENBROOK BUILDING SUPPLY, INC.

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

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/ THATCHER BUTCHER
Name: Thatcher Butcher
Title: President

STAR EQUITY HOLDINGS, INC.

By: /s/ RICHARD K. COLEMAN
Name: Richard K. Coleman
Title: Chief Executive Officer

**CONSENTS TO ELEVENTH AMENDMENT
TO LOAN AND SECURITY AGREEMENT DATED JANUARY 31, 2020**

We hereby consent and agree to the attached terms of the Eleventh Amendment to Loan and Security Agreement dated January 31, 2020.

ATRM HOLDINGS, INC.

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

By: /s/ DAVID J. NOBLE

Name: David Noble
Title: President

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 July 30, 2021)

By: /s/ RICHARD K. COLEMAN

Name: Richard K. Coleman
Title: Chief Executive Officer

STAR REAL ESTATE HOLDINGS USA, INC.

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

By: /s/ DAVID J. NOBLE

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

*Signature Page to Consents to Eleventh Amendment to Loan and Security Agreement
Dated January 31, 2020*

TWENTY-FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT

THIS TWENTY-FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT (this “Twenty-First Amendment”) is entered into as of this 31st day of December 2022 (the “Effective Date”), by and among **eCapital Asset Based Lending Corp., formerly known as 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”), each Borrower and Guarantor having an address at 53 Forest Ave, Old Greenwich, CT 06870.

RECITALS

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

B. Lender and Borrower entered into a Loan and Security Agreement dated as of February 23, 2016, as amended by (i) the First Amendment to Loan and Security Agreement dated November 30, 2016, (ii) the Second Amendment to Loan and Security Agreement dated November 30, 2016, (iii) the Third Amendment to Loan and Security Agreement dated June 30, 2017, (iv) the Fourth Amendment to Loan and Security Agreement dated July 19, 2017, (v) the Fifth Amendment to Loan and Security Agreement dated September 29, 2017, (vi) the Sixth Amendment to Loan and Security Agreement dated December 22, 2017, (vii) a series of emails between representatives of the parties sent January 12 - 14, 2018 characterized as a Seventh Agreement of Amendment to Loan and Security Agreement, (viii) the Eight Amendment to Loan and Security Agreement dated October 1, 2018, (ix) the Ninth Amendment to Loan and Security Agreement dated February 22, 2019, (x) the Tenth Amendment to Loan and Security Agreement dated April 1, 2019, (xi) the Eleventh Amendment to Loan and Security Agreement dated April 15, 2019, (xii) Consent and Acknowledgement Agreement and Twelfth Amendment to Loan Agreement dated September 10, 2019, (xiii) the Thirteenth Amendment to Loan and Security Agreement dated January 31, 2020, (xiv) the Fourteenth Amendment to Loan and Security Agreement dated March 5, 2020, (xv) the Fifteenth Amendment to Loan and Security Agreement dated April 1, 2020, (xvi) the Sixteenth Amendment to Loan and Security Agreement dated January 5, 2021, (xvii) the Seventeenth Amendment to Loan and Security Agreement dated February 26, 2021, (xviii) the Eighteenth Amendment to Loan and Security Agreement dated July 30, 2021, (xix) the Nineteenth Amendment to Loan and Security Agreement dated March 8, 2022, and (xx) the Twentieth Amendment to Loan and Security Agreement dated September 27, 2022 (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. Star Equity Holdings, Inc. has executed an Amended and Restated Subordination Agreement dated July 30, 2021 and is a Subordinated Lender as defined in the Loan Agreement.

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

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

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

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

1. The Loan Agreement (and any exhibits thereto) are hereby amended as follows:

As to the Loan Agreement:

- (a) The following Definitions in **Section 1.1** are hereby amended and restated to read as follows:

"Credit Documents" means this Agreement, the Note, each Guaranty, each Pledge and Security Agreement, each Securities Account Control Agreement, each Power of Attorney, each Mortgage, each Subordination Agreement, each Intercreditor Agreement, and all other documents, instruments and agreements now or hereafter executed and/or delivered in connection herewith, therewith, or any of the Obligations and/or as any or all of the foregoing documents, instruments, and agreements may now or hereafter be amended.

"Maturity Date" means the earlier of (a) June 30, 2023, or (b) the date that any Borrower of any Obligations elects to prepay any Obligations on a date earlier than when due. If extended pursuant to Section 11.1 of the Loan Agreement, the next subsequent Maturity Date is December 31, 2023 whereupon the automatic one (1) year conditions of extension in Section 11.1 apply."

"Minimum Average Monthly Loan Amount" means Twenty-Five Percent (25%) of the Maximum Revolving Amount."

- (b) **Section 3.1** is hereby amended and restated to read as follows:

"3.1. Repayment of the Revolving Credit Advances. Except as otherwise provided in Section 2.1 hereof, Borrower shall be required to (a) make a mandatory repayment hereunder at any time that the aggregate outstanding principal balance of the Revolving Credit Advances made by Lender to Borrower hereunder is in excess of the Borrowing Base and/or Maximum Revolving Amount, in an amount equal to such excess, and (b) repay and cause to be repaid on the expiration of the Term (i) the then aggregate outstanding principal balance of Revolving Credit Advances made by Lender to Borrower hereunder together with accrued and unpaid interest, fees and charges and (ii) all

Obligations owed Lender by any Credit Party under this Agreement and the Credit Documents. Any payments of principal, interest, fees or any other amounts payable hereunder or under any Credit Document shall be made prior to 12:00 noon (New York time) on the due date thereof in immediately available funds. Borrower may elect to prepay all of the Revolving Loan Advances in accordance with the provisions of Section 11.1 of the Loan Agreement, at which date all of the Obligations owed Lender by any Credit Party under this Agreement and the Credit Documents shall be similarly and simultaneously due and payable.”

(c) **Section 5.1(b)** is hereby amended and restated to read as follows:

“(b) Fees.

(i) Minimum Loan Fee. In the event the average closing daily unpaid balances of all Loans hereunder during any calendar month is less than the Minimum Average Monthly Loan Amount, Borrowers shall pay to Lender a minimum loan fee at a rate per annum equal to the Contract Rate on the amount by which the Minimum Average Monthly Loan Amount exceeds such average closing daily unpaid balances. Such fee shall be charged to Borrower’s account on the first day of each month with respect to the prior month. The Minimum Loan Fee is not payable during the period commencing the Effective Date of the Twenty-First Amendment until June 30, 2023. Thereafter, payment thereof shall resume by Borrower.

(ii) Facility Fee. Borrowers hereby agree to pay Lender a facility fee in an amount equal to one and one-half percent (1.50%) of the Maximum Revolving Amount on (a) the Closing Date and (b) on each period of extension pro-rated for the number of months of each extension (whether six (6) month or one (1) year) which occurs prior to the Maturity Date as provided in Section 11.1 of the Loan Agreement. The facility fee for each period until the Maturity Date shall be deemed fully earned on the date due and shall be payable by a charge to Borrower’s account upon the earlier of each due date or the termination of this Agreement for any reason.

(iii) Collateral Monitoring Fee. Borrowers shall pay Lender a monthly collateral monitoring fee in an amount equal to 0.10% of the Maximum Revolving Amount per month, payable on the first day of each month commencing March 1, 2016, until the Maturity Date. The Collateral Monitoring Fee for each month ending prior to the Maturity Date shall be deemed fully earned on the Closing Date and shall be payable by a charge to Borrower’s account upon the earlier of the due date during the Term or the termination of this Agreement for any reason.

(iv) Field Examination Fee. Upon Lender’s performance of any collateral monitoring and/or verification including any field

examination, collateral analysis or other business analysis, the need for which is to be determined by Lender and which monitoring is undertaken by Lender or for Lender's benefit, an amount equal to the established rate by Lender from time to time which rate on the Closing Date is \$1,250 per day for each person employed to perform such monitoring together with all costs, disbursements and expenses incurred by Lender and the person performing such collateral monitoring and/or verification shall be charged to Borrowers' account; provided, however, so long as no Event of Default has occurred and is continuing, the number of such examinations shall be limited to no more than two (2) per year. Nothing herein shall prohibit Lender from conducting more than two (2) such examinations per year in the absence of an Event of Default which is not continuing so long as Lender shall incur the cost thereof.

(v) Collection Fees. For purposes of determining the balance of the Loans outstanding, Lender will credit (conditional upon final collection) all such payments to Borrowers' account upon receipt by Lender of good funds in dollars of the United States of America in Lender's account, provided, however, for purposes of computing interest on the Obligations, Lender will credit (conditional upon final collection) all such payments to Borrowers' account three (3) Business Days after receipt by Lender of good funds in dollars of the United States of America in Lender's account. Any amount received by Lender after 12:00 noon (New York time) on any Business Day shall be deemed received on the next Business Day.

(vi) Overline/Overadvance Fees. Under circumstances where (a) any Borrower requests and Lender approves Revolving Credit Advances which would exceed the Maximum Revolving Amount and/or the Borrowing Base, (other than a Permitted (Other) 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%) of the greater of (A) the highest amount by which the amount of Revolving Credit Advances during such months exceeds the Borrowing Base and (B) if any, the amount approved by the Lender for such Revolving Credit Advance in excess of the Borrowing Base for such month and (ii) two and one-half percent (2.50%) 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 the 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.

(vii) Wire/Check Fee. For each wire transfer or check issued by Lender, on behalf of a Borrower, Borrowers shall pay Lender Lender's standard fee for such service which fee is \$45 as of the Closing Date."

(d) **Section 11.1** is hereby amended and restated to read as follows:

“11.1 Term of Agreement. Any obligation of Lender to make Loans and extend their financial accommodations under this Agreement or any Credit Document shall continue in full force and effect until the expiration of the Term. The termination of the Agreement shall not affect any of Lender’s rights hereunder or any Credit Document and the provisions hereof and thereof shall continue to be fully operative until all transactions entered into, rights or interests created and the Obligations have been disposed of, concluded or liquidated. The Maturity Date shall be automatically extended for a successive period of (6) months until December 31, 2023 and then one (1) year for each extension thereafter unless (a) Borrowing Representative shall have provided Lender with a written notice of termination, at least sixty (60) days prior to the expiration of the Maturity Date or any renewal of the Maturity Date or (b) Lender provides written notice of termination to Borrowing Representative at least sixty (60) days prior to the expiration of the Maturity Date or any renewal of the Maturity Date. Notwithstanding the foregoing, Lender shall release its security interests at any time after thirty (30) days notice upon payment to it of all Obligations if each Credit Party shall have (i) provided Lender with an executed release of any and all claims which Credit Parties may have or thereafter have under this Agreement and/or any Credit Document and (ii) paid to Lender an amount equal to (A) the monthly interest on the Minimum Average Monthly Loan Amount calculated based on the interest rate in effect on the date of such payment multiplied by (B) the difference between (I) the number of full months from the Closing Date until the Maturity Date and (II) the number of full months which have elapsed from the Closing Date until the payment of the fee hereunder. In addition, Borrower shall pay to Lender the Collateral Monitoring Fee for each month from the date of repayment until the Maturity Date. These fees shall also be due and payable to Lender upon termination of this Agreement by Lender after the occurrence of an Event of Default. In addition to the foregoing, a termination fee of One Hundred Thousand (\$100,000.00) Dollars (“Collective Termination Fee”) shall be due and payable collectively by all Borrowers on the Obligations simultaneously with the foregoing if payment of any of the Obligations becomes due and payable or is otherwise paid for any reason on or before June 30, 2023. The Collective Termination Fee shall also be due and payable on June 30, 2023 if payment of any of the Obligations becomes due and payable for any reason on June 30, 2023; but upon such payment none of the other fees which would be payable upon a termination as provided in this Section 11.1 shall be due and payable. The Collective Termination Fee is not due and payable at any other times. The Collective Termination Fee is not due and payable at any other times.”

2. 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.

3. This Twenty-First Amendment and the execution of the other documents required to be executed in connection herewith do not constitute the creation of a new debt or the extinguishment of the debt evidenced by the Credit Documents, nor will they in any way affect or impair the liens and security interests created by the Credit Documents. The parties agree that the lien and security interests created by the Credit Documents continue to be in full force and effect, unaffected and unimpaired by this Twenty-First 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.

4. 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, and Obligations, 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, and Obligations, 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.

5. 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 Twenty-First Amendment or of any breach of any of the representations or warranties made in any material respect.

6. Borrower agrees to pay all attorneys' fees and other costs incurred by Lender or otherwise payable in connection with this Twenty-First 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.

7. 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. This Twenty-First 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 Twenty-First 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 Twenty-First 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 Twenty-First Amendment, and as the same may be further amended, restated, replaced, supplemented, renewed, extended or otherwise modified from time to time.

9. 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.

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

11. In case any provision of this Twenty-First 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. Capitalized terms used in this Twenty-First Amendment which are not otherwise defined herein have the meanings ascribed thereto in the Credit Documents.

12. This Twenty-First 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.

13. This Twenty-First 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.

14. This Twenty-First 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.

15. This Twenty-First 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 Twenty-First Amendment by facsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Twenty-First Amendment. Any party delivering an executed counterpart of this Twenty-First Amendment by facsimile or other electronic method of transmission also shall deliver an original executed counterpart of this Twenty-First Amendment but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Twenty-First Amendment.

16. 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 TWENTY-FIRST 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 Twenty-First Amendment to be executed as of the day and year first above written.

LENDER:

eCAPITAL ASSET BASED LENDING CORP., formerly known as GERBER FINANCE, INC.

By: /s/ ELINA GOYNATSKY
Name: Elena Goynatsky
Title: Senior Vice President

BORROWER:

KBS BUILDERS, INC.

By: /s/ THATCHER BUTCHER
Name: Thatcher Butcher
Title: President

GUARANTOR:

ATRM HOLDINGS, INC.

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

STAR EQUITY HOLDINGS, INC.

By: /s/ RICHARD K. COLEMAN
Name: Richard K. Coleman
Title: Chief Executive Officer

[Signature Page to Twenty-First Amendment to Loan and Security Agreement]

**CONSENT TO TWENTY-FIRST AMENDMENT
TO LOAN AND SECURITY AGREEMENT**

We hereby consent and agree to the attached terms of the Twenty-First Amendment to Loan and Security Agreement.

ATRM HOLDINGS, INC.

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

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

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 July 30, 2021)

By: /s/ RICHARD K. COLEMAN
Name: Richard K. Coleman
Title: Chief Executive Officer

STAR REAL ESTATE HOLDINGS USA, INC.

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

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

[Signature Page to Consent to Twenty-First Amendment to Loan and Security Agreement]

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

THIS FOURTH AMENDMENT TO LOAN AND SECURITY AGREEMENT DATED JANUARY 31, 2020, (this “Fourth Amendment”) is entered into as of this 31st day of December, 2022 (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 (i) First Amendment to Loan and Security Agreement dated February 20, 2020, (ii) Second Amendment to Loan and Security Agreement dated April 30, 2020, and (iii) Third Amendment to Loan and Security Agreement dated February 26, 2021 (as further amended, modified, restated or supplemented from time to time, the “Loan Agreement”).

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

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

D. Lone Star Co-Invest I, LP has executed an Amended and Restated Subordination Agreement dated January 31, 2020; Lone Star Value Management, LLC has executed an Amended and Restated Subordination Agreement dated January 31, 2020; each is no longer a Subordinated Lender as defined in the Loan Agreement and their respective Subordination Agreements have been cancelled and replaced by an Amended and Restated Subordination Agreement dated July 30, 2021 executed by Star Equity Holdings, Inc., which has retired the underlying debt or otherwise agreed to replace Lone Star Co-Invest I, LP and Lone Star Value Management, LLC as a Subordinated Lender.

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

F. Star Equity Holdings, Inc. has executed an Amended and Restated Subordination Agreement dated July 30, 2021, and is a Subordinated Lender as defined in the Loan Agreement.

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

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

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

AGREEMENTS

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

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

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

As to the Loan Agreement:

(a) The following Definitions in Section 1.1 are hereby amended and restated to read as follows:

“Credit Documents” means this Agreement, the Note, each Guaranty, each Pledge and Security Agreement, each Securities Account Control Agreement, each Power of Attorney, each Mortgage, each Subordination Agreement, each Intercreditor Agreement, and all other documents, instruments and agreements now or hereafter executed and/or delivered in connection herewith, therewith, or any of the Obligations and/or as any or all of the foregoing documents, instruments, and agreements may now or hereafter be amended.

“Maturity Date” means the earlier of (a) January 31, 2025 or (b) the date that any Borrower of any Obligations elects to prepay any Obligations on a date earlier than when due, or pay when due.”

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

(b) The last sentence of Section 3.1 is hereby deleted and replaced with the following:

“Borrowers may elect to prepay all of the Credit Advance in accordance with the provisions of Section 11.1 of the Loan Agreement, at which date all of the Obligations owed Lender by Borrower under this Agreement and all Obligations owed Lender under the EBGL Credit Facility, in full and all fees, expenses payable in connection therewith, shall be similarly and simultaneously due and payable.”

(c) Section 11.1 is hereby amended and restated to read as follows:

11.1 Term of Agreement. Any obligation of Lender to make Loans and extend their financial accommodations under this Agreement or any Credit Document shall continue in full force and effect until the expiration of the Term. The termination of the Agreement shall not affect any of Lender's rights hereunder or any Credit Document and the provisions hereof and thereof shall continue to be fully operative until all transactions entered into, rights or interests created and the Obligations have been disposed of, concluded or liquidated. Notwithstanding the foregoing, Lender shall release its security interests at any time after sixty (60) days notice and upon payment to it of all Obligations if each Credit Party shall have (i) provided Lender with an executed release of any and all claims which Credit Parties may have or thereafter have under this Agreement and/or any Credit Document and (ii) paid to Lender an amount equal to (A) the monthly interest on the Minimum Average Monthly Loan Amount calculated based on the interest rate in effect on the date of such payment multiplied by (B) the difference between (I) the number of full months from the Closing Date until the Maturity Date and (II) the number of full months which have elapsed from the Closing Date until the payment of the fee hereunder. In addition, Borrowers shall pay to Lender the Collateral Monitoring Fee for each month from the date of repayment until the Maturity Date (collectively "Termination Fees"). These fees shall also be due and payable to Lender upon termination of this Agreement by Lender after the occurrence of an Event of Default. Alternatively, in lieu of any Termination Fees, a termination fee of One Hundred Thousand (\$100,000.00) Dollars ("Collective Termination Fee(s)") shall be due and payable collectively by all Borrowers on the Obligations simultaneously with the foregoing if any of the Obligations becomes due and payable or is otherwise paid for any reason before June 30, 2023. The Collective Termination Fee shall also be due and payable on June 30, 2023; but upon such payment none of the other fees which would be payable upon termination as provided in Section 11.1 shall be due and payable. The Collective Termination Fee is not due and payable at any other times."

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

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

6. 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.

7. 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.

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

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

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

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

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

13. Borrowers agree to pay all attorneys' fees and other costs incurred by Lender or otherwise payable in connection with this Fourth Amendment (in addition to those otherwise payable pursuant to the Credit Documents), which fees and costs are to be paid as of the date hereof.

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

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

[Signatures appear on the following pages]

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

LENDER:

eCAPITAL ASSET BASED LENDING CORP., formerly known as GERBER FINANCE, INC.

By: /s/ ELENA GOYNATSKY
Name: Elena Goynatsky
Title: Senior Vice President

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

(signatures continued from previous page)

GUARANTOR:

ATRM HOLDINGS, INC.

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

EDGEBUILDER, INC.

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

GLENBROOK BUILDING SUPPLY, INC.

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

KBS BUILDERS, INC.

By: /s/ THATCHER BUTCHER
Name: Thatcher Butcher
Title: President

STAR EQUITY HOLDINGS, INC.

By: /s/ RICHARD K. COLEMAN
Name: Richard K. Coleman
Title: Chief Executive Officer

[End of Signatures to Fourth Amendment to Loan and Security Agreement dated January 31, 2020]

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

We hereby consent and agree to the attached terms of the Fourth Amendment to Loan and Security Agreement dated January 31, 2020.

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 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 July 30, 2021)

By: /s/ RICHARD K. COLEMAN

Name: Richard K. Coleman

Title: Chief Executive Officer

STAR REAL ESTATE HOLDINGS USA, INC.

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

By: /s/ DAVID J. NOBLE

Name: David J. Noble

Title: President and Chief Executive Officer

[Signature Page to Consents to Fourth Amendment to Loan and Security Agreement Dated January 31, 2020]

Subsidiaries of Registrant as of March 15, 2023

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: 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: 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: Star Equity Fund GP, LLC
State of Incorporation: Delaware

Name: Star Equity Fund, LP
State of Incorporation: Delaware

Name: Star Value, LLC
State of Incorporation: Delaware

Name: Star Investment Management, LLC
State of Incorporation: Connecticut

Name: Star Equity Investment Holdings, LLC
State of Incorporation: Delaware

Consent of Independent Registered Public Accounting Firm

Star Equity Holdings, Inc.
Old Greenwich, Connecticut

We consent to the incorporation by reference in the Registration Statements on Form S-1 (Nos. 333-261957, 333-248872, and 333-237928) and Form S-8 (Nos. 333-250177 and 333-228214) of Star Equity Holdings, Inc. (the Company) of our report dated March 15, 2023, relating to the consolidated financial statements of the Company, appearing in this Annual Report on Form 10-K for the year ended December 31, 2022.

/s/Wolf & Company, P.C.
Boston, Massachusetts

March 15, 2023

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-3 (333-265737), and Form S-8 (Nos. 333-250177, 333-228214 and 333-265738) of Star Equity Holdings, Inc. (the "Company") of our report dated March 31, 2022, except for Note 1, Healthcare Service Revenue Recognition and Healthcare Product and Product-Related Revenue Recognition paragraphs of Note 2, Note 4 and Note 15 which is dated June 17, 2022, relating to the consolidated financial statements which appear in this Form 10-K. Our report contains an explanatory paragraph regarding the Company's ability to continue as a going concern.

/s/ BDO USA, LLP
San Diego, California
March 15, 2023

**CERTIFICATION OF
PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Richard k. Coleman Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Star Equity Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - i. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - ii. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 15, 2023

/S/ RICHARD K. COLEMAN JR.

Richard K. Coleman Jr.
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF
PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, David J. Noble, certify that:

1. I have reviewed this annual report on Form 10-K of Star Equity Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 15, 2023

/S/ David J. Noble

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

**CERTIFICATION OF
PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

In connection with the accompanying Annual Report on Form 10-K of Star Equity Holdings, Inc. for the year ended December 31, 2022, I, Richard k. Coleman Jr., Chief Executive Officer of Star Equity Holdings, Inc., hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) such Annual Report on Form 10-K of Star Equity Holdings, Inc. for the year ended December 31, 2022, 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, 2022, 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 15, 2023

/s/ RICHARD K. COLEMAN JR.

Richard K. Coleman Jr.
Chief Executive Officer
(Principal Executive Officer)

A signed copy of this written statement required by Section 906 has been provided to Star Equity Holdings, Inc. and will be retained by Star Equity Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF
PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

In connection with the accompanying Annual Report on Form 10-K of Star Equity Holdings, Inc. for the year ended December 31, 2022, 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, 2022, 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, 2022, 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 15, 2023

/S/ David J. Noble

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

A signed copy of this written statement required by Section 906 has been provided to Star Equity Holdings, Inc. and will be retained by Star Equity Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.