UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED June 30, 2025

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

FOR THE TRANSITION PERIOD FROM TO

Commission file number: 001-35947

Star Equity Holdings, Inc.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

As of August 8, 2025, the registrant had 3,234,978 shares of Common Stock ($0.0001 par value) outstanding.

STAR EQUITY HOLDINGS, INC.
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Important Information Regarding Forward-Looking Statements

Portions of this Quarterly Report on Form 10-Q (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 2 — Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Quarterly Report on Form 10-Q, as well as other portions of this Quarterly Report on Form 10-Q. 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 Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024 filed with the U.S. Securities and Exchange Commission on March 21, 2025. 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.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Revenues:				
Building Solutions**	$ 20,384	$ 13,483	$ 32,502	$ 22,601
Energy Services	3,324	—	4,130	—
Investments	—	—	—	—
Total revenues	23,708	13,483	36,632	22,601
Cost of revenues:				
Building Solutions**	15,141	11,254	24,330	18,694
Energy Services	2,240	—	2,764	—
Investments	74	13	149	117
Total cost of revenues	17,455	11,267	27,243	18,811
Gross profit	6,253	2,216	9,389	3,790
Operating expenses:				
Selling, general and administrative	6,420	5,339	11,679	9,433
Amortization of intangible assets	785	590	1,509	1,032
Total operating expenses	7,205	5,929	13,188	10,465
Income (loss) from operations	(952)	(3,713)	(3,799)	(6,675)
Other income (expense):				
Other income (expense), net	4,940	(334)	4,439	65
Interest income (expense), net	(80)	221	(98)	595
Total other income (expense), net	4,860	(113)	4,341	660
Income (loss) before income taxes	3,908	(3,826)	542	(6,015)
Income tax benefit (provision)	(457)	39	1,733	4
Net Income (loss)	3,451	(3,787)	2,275	(6,011)
Dividend on Series A perpetual preferred stock	(673)	(479)	(1,152)	(958)
Net income (loss) attributable to common shareholders	$ 2,778	$ (4,266)	$ 1,123	$ (6,969)
Net income (loss) per share				
Basic*	$ 1.08	$ (1.19)	$ 0.71	$ (1.90)
Diluted*	$ 1.07	$ (1.19)	$ 0.71	$ (1.90)
Net income (loss) per share, attributable to common shareholders				
Basic*	$ 0.87	$ (1.34)	$ 0.35	$ (2.20)
Diluted*	$ 0.86	$ (1.34)	$ 0.35	$ (2.20)
Weighted-average common shares outstanding ***				
Basic*	3,205	3,172	3,212	3,170
Diluted*	3,214	3,172	3,222	3,170
Dividends declared per share of Series A perpetual preferred stock	$ 0.25	$ 0.25	$ 0.50	$ 0.50

*Earnings per share may not add due to rounding
**Formerly known as Construction
***All share amounts reflect a 1 for 5 reverse stock split effective June 14, 2024, retroactively

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	June 30, 2025 (unaudited)	December 31, 2024
Assets:		
Current assets:		
Cash and cash equivalents	$ 1,861	$ 4,003
Restricted cash	1,608	1,628
Investments in equity securities	1,763	3,368
Lumber derivative contracts	13	—
Receivable from brokers	6,684	—
Accounts receivable, net of allowances of $369 and $360, respectively	11,698	8,048
Note receivable, current portion	300	335
Inventories, net	9,207	5,397
Other current assets	2,051	1,635
Total current assets	35,185	24,414
Property and equipment, net	16,653	10,207
Operating lease right-of-use assets, net	8,184	8,289
Intangible assets, net	20,399	18,930
Goodwill	9,922	8,453
Long term Investments	1,217	2,140
Notes receivable, net of current portion	9,124	8,876
Other assets	1,730	1,739
Total assets	$ 102,414	$ 83,048
Liabilities and Stockholders' Equity:		
Current liabilities:		
Accounts payable	$ 4,230	$ 2,603
Accrued liabilities	6,718	1,974
Accrued compensation	1,686	1,141
Accrued warranty	50	49
Lumber derivative contracts	—	7
Deferred revenue	3,007	2,523
Short-term debt	7,345	3,911
Operating lease liabilities, current portion	227	241
Finance lease liabilities, current portion	21	21
Total current liabilities	23,284	12,470
Long-term debt	6,988	7,405
Deferred tax liabilities	1,129	334
Operating lease liabilities, net of current portion	8,392	8,483
Finance lease liabilities, net of current portion	8	20
Total liabilities	39,801	28,712
Commitments and contingencies (Note 9)		
Stockholder's 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), 2,690,637 and 1,915,637 shares issued and outstanding at June 30, 2025 and December 31, 2024 (Liquidation preference: $26,033,140 and $18,988,390 as of June 30, 2025 and December 31, 2024, respectively)	26,033	18,988
Series C Preferred stock, $0.0001 par value; 25,000 shares authorized; no shares issued or outstanding	—	—

Common stock, $0.0001 par value; 50,000,000 shares authorized; 3,225,545 and 3,201,502 shares issued and outstanding (net of treasury shares) at June 30, 2025 and December 31, 2024, respectively *	2	2
Treasury stock, at cost; 125,625 and 125,625 shares at June 30, 2025 and December 31, 2024, respectively *	(6,007)	(6,007)
Additional paid-in capital	158,837	159,880
Accumulated deficit	(116,252)	(118,527)
Total stockholders' equity	62,613	54,336
Total liabilities and stockholders' equity	$ 102,414	$ 83,048

*All share amounts reflect a 1 for 5 reverse stock split effective June 14, 2024, retroactively

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Operating activities		
Net income (loss)	$ 2,275	$ (6,011)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation of property and equipment	1,237	451
Amortization of intangible assets	1,509	1,032
Non-cash lease expense	123	203
Provision for bad debt, net	(24)	(48)
Stock-based compensation	114	128
Non-cash interest income	(397)	—
Realized gain on sale of investments	(5,072)	—
Impairment of Cost Method Investment	432	1,290
Deferred income taxes	(1,918)	(37)
Unrealized (gain) loss on equity securities and lumber derivatives	160	94
Gross profit from sale of lost-in-hole equipment	(385)	—
Changes in operating assets and liabilities:		
Accounts receivable	(971)	604
Inventories	(2,107)	467
Other assets	374	(1,416)
Accounts payable	1,081	295
Accrued compensation	544	(707)
Deferred revenue and billings in excess of costs and estimated profit	450	(518)
Operating lease liabilities	(119)	(215)
Other liabilities	1,550	123
Net cash provided (used) by operating activities	(1,144)	(4,265)
Investing activities		
Purchases of property and equipment	(1,098)	(263)
Proceeds from sale of lost-in-hole equipment	199	—
Proceeds from sale of property and equipment	100	—
Purchases of equity securities	(258)	(257)
Proceeds from sales of equity securities	543	527
Net cash received from (paid for) acquisition	(4,185)	(19,100)
Note receivable repayments	149	149
Net cash provided (used) by investing activities	(4,550)	(18,944)
Financing activities		
Proceeds from borrowings	15,744	21,259
Repayment of debt	(11,050)	(11,951)
Repayment of obligations under finance leases	(10)	(28)
Preferred stock dividends paid	(1,152)	(958)
Net cash provided (used) by financing activities	3,532	8,322
Net change in cash, cash equivalents, and restricted cash	(2,162)	(14,887)
Cash, cash equivalents, and restricted cash at beginning of period	$ 5,631	$ 18,946
Cash, cash equivalents, and restricted cash at end of period	$ 3,469	$ 4,059

Reconciliation of cash, cash equivalents, and restricted cash at end of period

Cash and cash equivalents	$	1,861	$	2,457
Restricted cash		1,608		1,602
Cash, cash equivalents, and restricted cash at end of period	$	3,469	$	4,059
Supplemental Information				
Cash paid during the period for interest	$	394	$	146
Cash paid during the period for income taxes	$	—	$	92
Non-Cash Investing and Financing Activities				
Noncash property, plant, and equipment obtained in exchange for term loan	$	—	$	3,000
Receivable from broker related to sale of equity securities	$	6,684	$	—
Issuance of Preferred Stock	$	7,045	$	—

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	Perpetual Preferred Stock		Common stock		Treasury Stock	Additional paid-in capital	Accumulated deficit	Total stockholders' equity
	Shares	Amount	Shares *	Amount				
Balance at December 31, 2024	1,916	$ 18,988	3,202	$ 2	$ (6,007)	$ 159,880	$ (118,527)	$ 54,336
Stock-based compensation	—	—	—	—	—	51	—	51
Shares issued under stock incentive plans	—	—	7	—	—	(5)	—	(5)
Dividends to holders of preferred stock ($0.25 per share)	—	—	—	—	—	(479)	—	(479)
Issuance of Preferred Shares as part of acquisition (see Note 11)	775	7,045	—	—	—	—	—	7,045
Net income (loss)	—	—	—	—	—	—	(1,176)	(1,176)
Balance at March 31, 2025	2,691	$ 26,033	3,209	$ 2	$ (6,007)	$ 159,447	$ (119,703)	$ 59,772
Stock-based compensation	—	—	—	—	—	63	—	63
Shares issued under stock incentive plans	—	—	16	—	—	—	—	—
Dividends to holders of preferred stock ($0.25 per share)	—	—	—	—	—	(673)	—	(673)
Net income (loss)	—	—	—	—	—	—	3,451	3,451
Balance at June 30, 2025	2,691	$ 26,033	3,225	$ 2	$ (6,007)	$ 158,837	$ (116,252)	$ 62,613

	Perpetual Preferred Stock		Common stock		Treasury Stock	Additional paid-in capital	Accumulated deficit	Total stockholders' equity
	Shares	Amount	Shares *	Amount				
Balance at December 31, 2023	1,916	$ 18,988	3,165	$ 2	$ (5,728)	$ 160,126	$ (108,089)	$ 65,299
Stock-based compensation	—	—	—	—	—	58	—	58
Shares issued under stock incentive plans, net of shares withheld for employee taxes	—	—	4	—	—	(15)	—	(15)
Dividends to holders of preferred stock ($0.25 per share)	—	—	—	—	—	(479)	—	(479)
Net income (loss)	—	—	—	—	—	—	(2,224)	(2,224)
Balance at March 31, 2024	1,916	$ 18,988	3,169	$ 2	$ (5,728)	$ 159,690	$ (110,313)	$ 62,639
Stock-based compensation	—	—	—	—	—	70	—	70
Shares issued for fractional shares in conjunction with reverse stock split	—	—	55	—	—	—	—	—
Dividends to holders of preferred stock ($0.25 per share)	—	—	—	—	—	(479)	—	(479)
Net income (loss)	—	—	—	—	—	—	(3,787)	(3,787)
Balance at June 30, 2024	1,916	$ 18,988	3,224	$ 2	$ (5,728)	$ 159,281	$ (114,100)	$ 58,443

*All share amounts reflect a 1 for 5 reverse stock split effective June 14, 2024, retroactively

See accompanying notes to unaudited condensed consolidated financial statements.

STAR EQUITY HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation and Significant Policies

Basis of Presentation

The unaudited condensed consolidated financial statements included in this Form 10-Q have been prepared in accordance with the U.S. Securities and Exchange Commission (the "SEC") instructions for Quarterly Reports on Form 10-Q. Accordingly, the condensed consolidated financial statements are unaudited and do not contain all of the information required by U.S. Generally Accepted Accounting Principles ("GAAP") to be included in a full set of financial statements. The unaudited condensed Consolidated Balance Sheet at December 31, 2024 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by GAAP for a complete set of financial statements. The audited consolidated financial statements for our fiscal year ended December 31, 2024, filed with the SEC on Form 10-K on March 21, 2025, include a summary of our significant accounting policies and should be read in conjunction with this Form 10-Q. In the opinion of management, all material adjustments necessary to present fairly the results of operations, cash flows, and balance sheets for such periods have been included in this Form 10-Q. All such adjustments related to operations are of a normal recurring nature. The results of operations for interim periods are not necessarily indicative of the results of operations for the entire year.

On March 3, 2025, we completed a merger which resulted in a business combination with Alliance Drilling Tools, Inc ("ADT") (see Note 11. "Mergers and Acquisitions").

The Company

Star Equity Holdings, Inc. ("Star Equity," "Star", the "Company," "we," or "our") is a multi-industry diversified holding company with three divisions: Building Solutions (formerly known as Construction), Investments, and Energy Services. The Energy Services division was newly established as a result of the business combination with ADT. Our common stock and preferred stock are listed on the NASDAQ Global Market exchange as "STRR" and "STRRP," respectively.

On May 21, 2025, Hudson Global, Inc. ("Hudson"), HSON Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Hudson ("Merger Sub"), and Star Equity, entered into an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which, among other matters, and subject to the satisfaction or waiver of the conditions set forth in the Merger Agreement, Merger Sub will merge with and into Star Equity, with Star Equity continuing as the surviving corporation of the merger (the "Merger"), and a wholly owned subsidiary of Hudson. Subject to the terms and conditions of the Merger Agreement, upon the closing of the Merger and the other transactions contemplated by the Merger Agreement, each then-outstanding share of Star Equity common stock will be converted into the right to receive 0.23 shares of Hudson common stock calculated in accordance with the terms of the Merger Agreement and each then-outstanding share of Star Equity Series A preferred stock will be converted into the right to receive one (1) share of newly created Hudson Series A preferred stock in accordance with the terms of the Merger Agreement. The Company intends to seek the approval of its stockholders for the Merger at its special meeting of stockholders, currently scheduled for August 21, 2025. Additional information regarding the proposed Merger and the upcoming stockholder meeting is set forth in the Company's Current Report on Form 8-K dated May 22, 2025, Hudson's registration statement on Form S-4 (File No. 333-288531) declared effective by the SEC on July 22, 2025 and the Company's joint proxy statement/prospectus dated July 23, 2025.

If the Merger is consummated, pursuant to the Merger Agreement, Star Equity will become a wholly owned subsidiary of Hudson. In such case, Star Equity will be delisted from NASDAQ and will cease to be a public company with reporting obligations pursuant to the Exchange Act.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and disclosures made in the accompanying notes to the condensed consolidated financial statements. Significant estimates and judgments include those related to revenue recognition, goodwill valuation, asset impairment, business combination accounting, and income taxes. Actual results could materially differ from those estimates.

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 or in major money market mutual funds offered through brokerage firms. Some of our cash balances are maintained at major banking institutions in the United States, a portion of which may, from time to time, exceed the regulatory limit of $250,000 insured by the Federal Deposit Insurance Corporation (FDIC). We have not experienced any credit losses associated with our cash balances. Additionally, we have established guidelines regarding diversification of our investments and their maturities, which are designed to maintain principal and maximize liquidity. As of June 30, 2025, we had $1.3 million of cash in excess of FDIC insured limits and believe the risk of loss to be remote.

New Accounting Standards To Be Adopted

The Company has evaluated new accounting standards issued during 2025 that are expected to, or may, have a material impact on its financial statements. With exception to the below, there are no new accounting standards which require further consideration:

In November 2024, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40), and in January 2025, the FASB issued ASU 2025-01, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): clarifying the Effective Date of ASU 2024-03. ASU 2024-03 requires additional disclosure of the nature of expenses included in the income statement as well as disclosures about specific types of expenses included in the expense captions presented in the income statement. ASU 2024-03, as clarified by ASU 2025-01, is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the impact of these standards will have on its financial statements.

Classification of Investments Segment

We consider our Investments segment to be ancillary to our core business, and, as a result, we record gains and losses on investments and real estate from the Investments segment as a component of other income (expense). We record any impairment of our cost basis investments as a component of other income (expense).

Note 2. Revenue

Disaggregation of Revenue

The following tables present our revenue disaggregated by major source for the three and six months ended June 30, 2025 and 2024, respectively (in thousands):

	Three Months Ended June 30, 2025		
	Building Solutions	**Energy Services**	**Total**
Major Goods/Service Lines			
Revenue from Contracts with Customers	$ 20,384	$ 3,324	$ 23,708
Total Revenues	$ 20,384	$ 3,324	$ 23,708
Timing of Revenue Recognition			
Services and goods transferred over time	$ —	$ 2,222	$ 2,222
Services and goods transferred at a point in time	20,384	1,102	21,486
Total Revenues	$ 20,384	$ 3,324	$ 23,708

	Three Months Ended June 30, 2024		
	Building Solutions	Energy Services	Total
Major Goods/Service Lines			
Revenue from Contracts with Customers	$ 13,483	$ —	$ 13,483
Total Revenues	$ 13,483	$ —	$ 13,483
Timing of Revenue Recognition			
Services and goods transferred at a point in time	$ 13,483	$ —	$ 13,483
Total Revenues	$ 13,483	$ —	$ 13,483

	Six Months Ended June 30, 2025		
	Building Solutions	Energy Services	Total
Major Goods/Service Lines			
Revenue from Contracts with Customers	$ 32,502	$ 4,130	$ 36,632
Total Revenues	$ 32,502	$ 4,130	$ 36,632
Timing of Revenue Recognition			
Services and goods transferred over time	$ —	$ 2,907	$ 2,907
Services and goods transferred at a point in time	32,502	1,223	33,725
Total Revenues	$ 32,502	$ 4,130	$ 36,632

	Six Months Ended June 30, 2024		
	Building Solutions	Energy Services	Total
Major Goods/Service Lines			
Revenue from Contracts with Customers	$ 22,601	$ —	$ 22,601
Total Revenues	$ 22,601	$ —	$ 22,601
Timing of Revenue Recognition			
Services and goods transferred over time	$ 22,601	$ —	$ 22,601
Total Revenues	$ 22,601	$ —	$ 22,601

ADT is principally engaged in the business of renting drilling tools. We also sell new drilling tools, drilling parts, supplies, and used rental tools. In addition, ADT offers repair services to support its customers. Tools purchased for sale are recorded as inventory. Tools intended for rental are recorded as part of fixed assets. Equipment rental revenue is recognized on a straight-line basis over the length of the rental contract. New tools, parts and supplies sales are recognized as revenue upon transfer of control, which generally occurs when products are picked up by or delivered to the customer. Repair services revenues are recognized in the period the services are provided. Upon the sale of other rental tools from fixed assets, we recognize a gain or loss on the sale in other income.

ADT's equipment rental agreements, generally contain provisions whereby should the rented tools or components provided to a customer be deemed to be irretrievably lost during downhole operations, commonly referred to as "lost-in-hole," the Company has the right to reimbursement for such losses. Amounts billed to customers are at an agreed upon price relative to the specific piece of equipment, the revenue of which is recognized at the time the loss of the equipment is confirmed.

The gross profit recognized from this transaction is the difference between the amounts billed to the customer and the net book value of the lost equipment. This gross profit is presented as a separate line item in the statement of cash flows under operating activities, and the cash received in connection with these activities is presented as an offset to cash purchases of property and equipment in the investing section of the statement of cash flows, to the extent it does not exceed the cash used for the purchases of the replacement equipment. Revenue recognized for the period ended June 30, 2025, totaled to $385,000. No significant lost-in-hole reimbursements were outstanding or contingent as of that date.

Deferred Revenue

Changes in deferred revenue, which consist primarily of customer deposits, for the six months ended June 30, 2025 are as follows (in thousands):

Balance at December 31, 2024	$	2,523
Revenue recognized that was included in balance at beginning of the year		737
Deferred revenue, net, related to contracts entered into during the year		(253)
Balance at June 30, 2025	$	3,007

Note 3. 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). Basic net income (loss) per share attributable to common stockholders is computed by dividing net income (loss) attributable to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted net income (loss) per share attributable to common stockholders is calculated to give effect to all potential shares of common stock, including common stock issuable upon the exercise of warrants, stock options, and restricted stock units ("RSUs"). 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. All share amounts reflect a 1 for 5 reverse stock split effective June 14, 2024, retroactively.

The following table sets forth the reconciliation of shares used to compute basic and diluted net income (loss) per share for the periods indicated (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	**2024**	**2025**	**2024**
Numerator:				
Net Income (loss)	$ 3,451	$ (3,787)	$ 2,275	$ (6,011)
Dividend on Series A perpetual preferred stock	(673)	(479)	(1,152)	(958)
Net income (loss) attributable to common shareholders	$ 2,778	$ (4,266)	$ 1,123	$ (6,969)
Denominator:				
Weighted average common shares outstanding	3,205	3,172	3,212	3,170
Weighted average prefunded warrants outstanding	—	—	—	—
Weighted average shares outstanding - basic	3,205	3,172	3,212	3,170
Dilutive potential common shares:				
Restricted stock units	9	—	10	—
Weighted average shares outstanding - diluted	3,214	3,172	3,222	3,170
Income (loss), net of tax, per share				
Basic	$ 1.08	$ (1.19)	$ 0.71	$ (1.90)
Diluted	$ 1.07	$ (1.19)	$ 0.71	$ (1.90)
Net income (loss) per share, attributable to common shareholders				
Basic	$ 0.87	$ (1.34)	$ 0.35	$ (2.20)
Diluted	$ 0.86	$ (1.34)	$ 0.35	$ (2.20)

For the periods ended June 30, 2024, common stock equivalents were excluded from the computation of diluted loss per share, as they were antidilutive. The following table details common stock equivalents which were antidilutive (in thousands):

	Three Months Ended June 30,	Six Months Ended June 30,
	2024	**2024**
Restricted stock units	34	27
Stock warrants	2,373	2,373
Total	2,407	2,400

Common stock equivalents are excluded in periods with losses as they are antidilutive in nature. For the three and six months ended June 30, 2025 2.2 million stock warrants were excluded from EPS calculations as they were antidilutive.

*All share amounts reflect a 1 for 5 reverse stock split effective June 14, 2024, retroactively

Note 4. Supplementary Balance Sheet Information

Inventories

The components of inventories are as follows (in thousands):

	June 30, 2025	December 31, 2024
Raw materials	$ 4,494	$ 2,644
Work-in-process	557	735
Finished goods	4,156	2,018
Total inventories, net	$ 9,207	$ 5,397

ADT's inventory, amounting to $1.6 million as of June 30, 2025, consists of component equipment, parts and supplies which are classified as raw materials using the weighted average cost method.

Property and Equipment

Property and equipment consists of the following (in thousands):

	June 30, 2025	December 31, 2024
Land	$ 1,134	$ 795
Buildings and leasehold improvements	8,854	5,573
Transportation	296	—
Machinery and equipment	10,306	6,540
Gross property and equipment	20,590	12,908
Accumulated depreciation	(3,937)	(2,701)
Total property and equipment, net	$ 16,653	$ 10,207

Depreciation expense for the three and six months ended June 30, 2025 was $0.7 million and $1.2 million respectively, and $0.2 million and $0.5 million for the three and six months ended June 30, 2024, respectively.

As of June 30, 2025, we held non-operating land and a building in Oxford, Maine for investment and potential future use which had a carrying value of $0.6 million and was included within property and equipment on the Consolidated Balance Sheets.

Included in machinery and equipment in the above table is rental equipment with a net book value of approximately $3.3 million, related to our energy services segment.

Warranty Reserves

Within our Building Solutions division, KBS Builders, Inc. (“KBS”) provides a limited assurance warranty on its residential homes that covers substantial defects in materials or workmanship for a period of 12 months after delivery to the owner. EdgeBuilder, Inc. (“EdgeBuilder”) provides a limited warranty on the sale of its wood foundation products that covers leaks resulting from defects in workmanship for a period of twenty-five years. Timber Technologies Solutions, Inc (“TT”) provides a fifty-year limited warranty to the original buyer of its products, qualified by the original buyer’s obligation to ensure that the products are properly handled, stored, and installed. Historical losses related to the Timber Technologies warranty have been insignificant and therefore no reserve has been established. Estimated future warranty costs are accrued and charged to cost of goods sold in the period that the related revenue is recognized. Within our Energy Services division, we do not provide warranties on our products.

Notes Receivable

Notes receivable consists of the following principal and interest balances as of June 30, 2025 and December 31, 2024 (in thousands):

	June 30, 2025	December 31, 2024
	Principal and interest	**Principal and interest**
Catalyst Note	$ 8,603	$ 8,206
MDOS Note	745	894
KBS Customer Note	76	111
Total note receivable	9,424	9,211
Less current portion	300	335
Note receivable, net of current portion	$ 9,124	$ 8,876

As a part of the sale of Digirad Health in May 2023, we entered into a $7 million promissory note (the “Catalyst Note”) which represents an unsecured note receivable on our balance sheet. The note has a maturity date of May 3, 2029 with payment-in-kind (non-cash) interest on the outstanding principal balance hereof to accrue at the Interest Rate. The full balance is scheduled to be paid at the maturity date. The Interest Rate is defined as (i) during the period from the date of issuance of the note through the third anniversary of the date of issuance of the note, a per annum rate equal to the sum of (x) 5.0% per annum plus (y) the greater of 5.0% per annum and the weighted average term SOFR-based interest rate of outstanding loans under the Senior Loan Agreement (as defined in the Purchase Agreement) during such period, and (ii) during the period following the third anniversary of the date of issuance of the note, a per annum rate equal to the sum of (x) 5.0% per annum plus (y) the greater of 7.0% per annum and the weighted average term SOFR-based interest rate of outstanding loans under the Senior Loan Agreement during such period.

In 2021, we completed the sale of MD Office Solutions in exchange for a secured promissory note (the “MDOS Note”). This note, the principal of which is approximately $0.7 million at June 30, 2025, is included in “Notes receivable, current portion” and “Notes receivable” in our Consolidated Balance Sheet at June 30, 2025 for $0.2 million and $0.5 million, respectively. The MDOS Note requires quarterly installments of $74 thousand and incurs interest at a fixed rate of 5.0% through maturity in 2028.

In 2023, KBS issued a promissory note to a customer, incurring 12% interest per annum (the “KBS Customer Note”). The KBS Customer Note is included in “Notes receivable, current portion” in the Consolidated Balance Sheets at June 30, 2025.

The Company evaluates its notes receivable portfolio under the Current Expected Credit Loss (“CECL”) model and determined that no material allowance for credit losses was necessary as of June 30, 2025.

Long Term Investments

Below are the components of our Long Term Investments as of June 30, 2025 and December 31, 2024 (in thousands):

	Method of Accounting	June 30, 2025	December 31, 2024
Investment in Catalyst	Cost Method	$ 953	$ 1,385
Investment in Enservco-Common Stock	Fair Value Election	191	496
Investment in Enservco-Preferred Stock	Fair Value Election	73	191
Investment in Enservco-Call Option	Fair Value Election	—	68
Total		$ 1,217	$ 2,140

Investment in Catalyst

As a part of the sale of Digirad Health, we received $6.0 million in the common equity of Catalyst Parent, which is held in our Investments Segment. We have elected the measurement alternative under ASC 321, *Investments-Equity Securities*. The measurement alternative election allows for equity securities that do not have readily determinable fair values to be recorded at cost, with adjustments for impairment and certain observable price changes reflected in earnings. Such securities are adjusted to fair value when an observable price change occurs or impairment is identified. As of June 30, 2025, we have recorded a total impairment to the Cost Method Investment in the amount of $5.0 million, including the impairment recorded in 2025 of $0.4 million. We recorded the impairment as we considered the financial performance of Catalyst relative to the average earnings from comparable companies. This impairment is recorded as a part of other income (expense) on the Consolidated Statement of Operations.

Investment in Enservco

On August 9, 2024, we completed an investment in Enservco pursuant to the Share Exchange Agreement in which we agreed to issue to Enservco 250,000 shares of 10% Series A Cumulative Perpetual Preferred Stock ("STRRP") representing $2.6 million of value in exchange for 9,023,035 Enservco Common Shares, representing 19.9% of the equity interests of Enservco, and 3,476,965 Enservco Preferred Shares and certain options included in the Share Exchange Agreement. Enservco also agreed to appoint one Company representative to the Enservco board of directors. We also issued a $1 million Note to Enservco to facilitate Enservco's acquisition of Buckshot Trucking, LLC. The Note was collateralized by the STRRP shares issued to Enservco.

Under the Share Exchange Agreement, we have additional purchase rights (a "call option"), but not obligations, including the 12-month option to participate in any financings to maintain the pro-rata ownership interest in Enservco and the 12-month option to exchange another $2.5 million of STRRP for additional shares of Enservco common stock.

The Investment in Enservco represents an investment in a voting interest entity ("VOE"). Under the voting interest model, for legal entities other than partnerships, the usual condition for control is ownership, directly or indirectly, of more than 50 percent of the outstanding voting shares of an entity. The Company does not have ownership of more than 50 percent of the outstanding voting shares of Enservco. As a result, the results of operations and financial position of Enservco are not included in our consolidated financial statements.

The Investment in Enservco is required to be accounted for using the equity method of accounting under ASC 323, *Equity Method Investments and Joint Ventures*, as the Company is deemed to have significant influence over Enservco based upon GAAP rules. Pursuant to the guidance in ASC 323, the Company elected the fair value option as allowed pursuant to ASC 825-10-15, wherein the financial instrument is initially measured at estimated fair value as of the transaction issue date and then subsequently remeasured at estimated fair value as of each reporting date, with changes in the estimated fair value recognized as other income (expense) in the statement of operations.

Our initial valuation of the Investment in Enservco for the common and preferred shares was based upon the market price at the transaction date. The fair value of the preferred shares on a per-unit basis was determined to approximate the fair value of the common shares after consideration of the features and benefits of the preferred shares. In forming this determination, we considered a number of objective and subjective factors, including third-party valuations and company specific economic outlook. To determine the fair value of the call option, the Company used the Black-Scholes option pricing model taking the stock price of $0.17 at the date of acquisition and $0.04 at June 30, 2025, a twelve-month risk-free yield of 4.0% and a volatility of 179% observed in Enservco's historical common stock price history. As a result, the preferred shares and call option is included in the Level 3 of the fair value hierarchy.

Because we elected the fair value option to account for our equity method Investment in Enservco, we determined the fair value of the Common Stock using the closing price of Enservco's common shares as of the end of the period, which is a Level 1 fair value input.

As discussed above, we entered into a $1 million promissory note (the “Enservco Note”) which was secured by 250,000 shares of our Cumulative Perpetual Preferred Stock, par value $.0001 per share, pursuant to the terms of a pledge agreement. The Enservco Note bore interest at a rate of 20% per annum, accruing from the Issuance Date. The Principal Amount of the Enservco Note, together with all accrued but unpaid interest, was due and payable in full three months from the Issuance Date, unless extended in one month increments by mutual agreement between us and Enservco (the “Maturity Date”). The Maturity Date was to be automatically extended to four months from the Issuance Date in the event Enservco repaid a minimum of $600,000 of the Principal Amount by the third month from the Issuance Date and the Maturity Date would be automatically extended to the fifth month from the Issuance Date in the event Enservco repaid a minimum of $800,000 before four months from the Issuance Date. There were no penalties for prepayment of the Enservco Note. We determined the fair value of the Enservco Note using a discounted cash flow model. The discount rate used in the cash flow model was 15.36% and is a Level 3 fair value input, as it is unobservable. After discussions related to repayment stalled and a delay in filing of Enservco’s September 30, 2024 financial statements, in December 2024 we issued a demand for full repayment of the Enservco Note. As the Enservco note went into default we called the 250,000 shares of our Cumulative Perpetual Preferred Stock which had served as collateral for the Enservco Note. As of December 31, 2024, in connection with the collateral call, we had cancelled the issuance of outstanding shares of Cumulative Perpetual Preferred Stock and extinguished the Enservco Note, as it was determined it is no longer collectible. The value of the collateral returned was in excess of the value of the Enservco note and no gain or loss was recorded upon extinguishment.

We hold the Investment in Enservco in the Investments Segment. As of June 30, 2025, we owned 9,023,035 shares of Enservco Common Stock, representing approximately 15.5% of Enservco’s outstanding common stock, and 3,476,965 shares of Mandatorily Convertible Preferred Stock representing approximately 22% of the total outstanding Enservco Common Stock assuming all preferred stock was converted. At June 30, 2025, the total fair value of the Investment in Enservco was approximately $264 thousand. The unrealized loss, included as a component of other income (expense), in our condensed consolidated statements of income related to our Investment in Enservco was $491 thousand for the six months ended June 30, 2025.

See Note 6. “Fair Value Measurements” for further discussion of the fair value hierarchy disclosures.

Note 5. Leases

Lessee

We have operating and finance leases for corporate offices, vehicles, and certain equipment. Our leases have remaining lease terms of 1 year to 20 years. Some of the leases include options to extend the leases and some of which include options to terminate the lease within 1 year. Operating leases and finance leases are included separately in the condensed Consolidated Balance Sheets.

The components of lease expense are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Operating lease cost	$ 381	$ 117	$ 763	$ 233
Finance lease cost:				
Amortization of finance lease assets	$ 17	$ 21	$ 33	$ 38
Interest on finance lease liabilities	—	1	1	2
Total finance lease cost	$ 17	$ 22	$ 34	$ 40

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

	Six Months Ended June 30,	
	2025	2024
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 639	$ 201
Operating cash flows from finance leases	$ 1	$ 2
Financing cash flows from finance leases	$ 10	$ 28
Right-of-use assets obtained in exchange for lease obligations		
Operating leases	$ —	$ —

Supplemental balance sheet information related to leases was as follows:

	June 30, 2025	December 31, 2024
Weighted average remaining lease term (in years)		
Operating leases	17.0	17.2
Finance leases	2.3	2.3
Weighted average discount rate		
Operating leases	12.94 %	12.90 %
Finance leases	5.80 %	5.80 %

We are committed to making future cash payments on non-cancelable operating leases and finance leases (including interest). The future minimum lease payments due under both non-cancelable operating leases and finance leases having initial or remaining lease terms in excess of one year as of June 30, 2025 were as follows (in thousands):

	Operating Leases	Finance Leases
2025 (excludes the six months ended June 30, 2025)	$ 651	$ 12
2026	1,270	17
2027	1,144	1
2028	1,173	—
2029	1,204	—
2030 and thereafter	18,137	—
Total future minimum lease payments	$ 23,579	$ 30
Less amounts representing interest	14,960	1
Present value of lease obligations	$ 8,619	$ 29

Note 6. Fair Value Measurements

The Financial Accounting Standards Board's authoritative guidance for fair value measurements establishes a three-level hierarchy based upon the inputs to the valuation model of an asset or liability. Assets and liabilities presented at fair value in our Consolidated Balance Sheets are generally categorized as follows:

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

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

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

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment, which may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels. The following table sets forth by level within the fair value hierarchy our assets and liabilities that were recorded at fair value as of June 30, 2025 and December 31, 2024 (in thousands):

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Fair Value as of June 30, 2025			
	Level 1	Level 2	Level 3	Total
Assets (Liabilities):				
Equity securities	$ 1,763	$ —	$ —	$ 1,763
Lumber derivative contracts	13	—	—	13
Investment in Enservco	191	—	73	264
BLL acquisition related earn-out	—	—	(167)	(167)
Total	$ 1,967	$ —	$ (94)	$ 1,873

	Fair Value as of December 31, 2024			
	Level 1	Level 2	Level 3	Total
Assets (Liabilities):				
Equity securities	$ 3,368	$ —	$ —	$ 3,368
Lumber derivative contracts	(7)	—	—	(7)
Investment in Enservco	496	—	259	755
BLL acquisition related earn-out	—	—	(152)	(152)
Total	$ 3,857	$ —	$ 107	$ 3,964

The table below presents the reconciliation for all Level 3 assets for the three and six months ended June 30, 2025. See Note 4. "Supplementary Balance sheet Information" for the discussion of inputs to Level 3 assets.

Level 3 Rollforward	**Enservco Preferred stock**	**Enservco Call Option**	**Total**
Beginning Balance December 31,2024)	$ 191	$ 68	$ 259
Unrealized gain (loss)	(59)	(39)	(98)
Ending Balance March 31, 2025	$ 132	$ 29	$ 161
Unrealized gain (loss)	(59)	(29)	(88)
Ending Balance June 30, 2025	$ 73	$ —	$ 73

The tables below present reconciliations for all Level 3 liabilities for the three and six months ended June 30, 2025 and June 30, 2024, respectively. The Level 3 liabilities consist of an earnout liability associated with the Big Lake Lumber ("BLL") acquisition in 2023.

	2025	2024
Beginning Balance December 31	$ 152	$ 169
Change in fair value of earn-out	—	—
Balance as at March 31	$ 152	$ 169
Change in fair value of earn-out	15	—
Balance as at June 30	$ 167	$ 169

Equity Securities

The investment in equity securities consists of common stock of publicly traded companies. The fair value of these securities is based on the closing prices observed on June 30, 2025 and December 31, 2024, respectively, and recorded in "Investments in equity securities" in the condensed Consolidated Balance Sheets.

Gains and losses from investments in equity securities are recorded in other income (expense) in the condensed Consolidated Statements of Operations and included the following for the three and six months ended June 30, 2025 and 2024, respectively:

	Three Months Ended June 30,	
	2025	2024
Unrealized gain (loss) on equity securities	$ 44	$ (303)
Realized gain (loss) on equity securities	5,553	—
Total gain (loss) on equity securities	$ 5,597	$ (303)

	Six Months Ended June 30,	
	2025	2024
Unrealized gain (loss) on equity securities	$ (180)	$ (75)
Realized gain (loss) on equity securities	5,554	34
Total gain (loss) on equity securities	$ 5,374	$ (41)

During the quarter ended June 30, 2025, we recognized a $5.5 million realized gain primarily related to the Servotronics tender offer. As of June 30, 2025 we have recorded a $6.7 million receivable due from broker associated with this tender offer.

Lumber Derivative Contracts

We may enter into lumber derivative contracts in order to protect our gross profit margins from fluctuations caused by lumber price volatility. Such contracts, which are generally entered into to protect the gross margins on our wall panel contracts at EdgeBuilder and Glenbrook Building Supply, Inc. (“Glenbrook” and referred to jointly with EdgeBuilder as “EBGL”), are recorded within current assets or liabilities in the condensed Consolidated Balance Sheets. As of June 30, 2025, we had a net long (buying) position of 550,000 board feet under twenty lumber derivatives contracts. As of December 31, 2024, we had a net long (buying) position of 467,500 board feet under seventeen lumber derivatives contracts.

Gains and losses from lumber derivative contracts are recorded in the cost of goods sold of the condensed Consolidated Statements of Operations and included the following for the three and six months ended June 30, 2025 and 2024, respectively:

	Three Months Ended June 30,	
	2025	2024
Unrealized gain (loss) on lumber derivatives	$ 44	$ 1
Realized gain (loss) on lumber derivatives	42	(62)
Total gain (loss) on lumber derivatives	$ 86	$ (61)

	Six Months Ended June 30,	
	2025	2024
Unrealized gain (loss) on lumber derivatives	$ 20	$ (19)
Realized gain (loss) on lumber derivatives	(43)	(46)
Total gain (loss) on lumber derivatives	$ (23)	$ (65)

Note 7. Debt

A summary of debt as of June 30, 2025 and December 31, 2024 is as follows (dollars in thousands):

	June 30, 2025		December 31, 2024	
	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
Revolving Credit Facility - Austin ADT	$ 1,846	9.25%	$ —	—%
Revolving Credit Facility - Premier EBGL	3,584	8.00%	2,156	8.75%
Revolving Credit Facility - KeyBank KBS	—	—%	—	—%
Total Short-term Revolving Credit Facilities	$ 5,430	8.42%	$ 2,156	8.75%
Austin - ADT Term Loan	$ 160	9.25%	$ —	—%
Term Loan Secured by Mortgage	355	7.50%	355	7.50%
Bridgewater - TT Term Loan	1,400	7.85%	1,400	7.85%
Total Short-term debt	$ 7,345	8.29%	$ 3,911	8.30%
Austin - ADT Term Loan, net of current portion	$ 439	9.25%	$ —	—%
Term Loan Secured by Mortgage, net of current portion	2,472	7.50%	2,625	7.50%
Bridgewater - TT Term Loan, net of current portion	4,077	7.85%	4,780	7.85%
Long Term Debt, net of current portion	$ 6,988	7.81%	$ 7,405	7.73%
Total Debt	$ 14,333	7.67%	$ 11,316	7.93%

Austin Loan Agreement

On March 3, 2025, ADT entered into a Loan and Security Agreement (the "Austin Loan Agreement") with Austin Financial Services, Inc. ("Austin") providing ADT with a working capital line of credit of up to $3.0 million and a term loan of up to $0.8 million, subject to the conditions and procedures set forth in the Austin Loan Agreement. Availability under the Austin Loan Agreement is based on a formula tied to ADT's eligible accounts receivable, inventory and equipment, and borrowings bear interest at the prime rate plus 1.75%, with interest payable monthly and the outstanding principal balance payable March 3, 2028 (the "Maturity Date"). The Austin Loan Agreement also provides for certain fees payable to Austin during its term. The term loan payment is approximately $13 thousand per month. The loan is secured by substantially all assets of ADT and is subject to certain covenants.

Premier Facility

On August 16, 2023, EdgeBuilder and Glenbrook (referred to herein as the "EBGL Borrowers"), entered into a Revolving Credit Loan Agreement with Premier Bank ("Premier"), which was subsequently amended on December 5, 2023 to provide the EBGL Borrowers with a working capital line of credit of up to $6.0 million (the "Premier Loan Agreement"). Availability under the Premier Loan Agreement is based on a formula tied to the EBGL Borrowers' eligible accounts receivable, inventory and equipment. Borrowings under the Premier Loan Agreement bear interest at the prime rate plus 0.75% (and a minimum interest rate of 6.75%), with interest payable monthly and the outstanding principal balance payable upon expiration of the term of the Premier Loan Agreement. The Premier Loan Agreement also provides for certain fees payable to Premier during its term. The initial term of the Premier Loan Agreement expired on December 5, 2024 but may be extended from time to time at the request of the EBGL Borrowers, subject to approval by Premier. The term of the Premier Loan Agreement has been extended to December 5, 2025. The EBGL Borrowers' obligations under the Premier Loan Agreement are guaranteed by the Company and secured by all of their inventory, equipment, accounts and other intangibles. As of June 30, 2025, availability under the Premier Loan Agreement was approximately $2.0 million. Premier holds $600 thousand of restricted cash associated with the Premier Facility.

Financial covenants associated with the Premier Loan Agreement require that the EBGL Borrowers annually maintain (a) a debt service coverage ratio for any calendar year of greater than 1.25; (b) a debt-to-equity ratio at the end of each calendar year less than 1.65; (c) a fixed charge coverage ratio at the end of each calendar year of greater than 1.10; (d) working capital of at least $2 million; and (e) a current ratio of at least 1.50. As of December 31, 2024, the EBGL Borrowers were in compliance with the Premier Loan Agreement covenants.

KeyBank Facility

On April 24, 2024, KBS entered into a Loan and Security Agreement (the "KeyBank Loan Agreement") with KeyBank National Association ("KeyBank") providing KBS with a working capital line of credit of up to $4.0 million, subject to the conditions and procedures set forth in the KeyBank Loan Agreement. All borrowings under the KeyBank Loan Agreement bear interest at the Adjusted Daily SOFR Rate (as defined in the KeyBank Loan Agreement) plus 3%, with interest payable monthly and the outstanding principal balance payable on April 30, 2025 (the "Maturity Date"). We signed an extension on July 29, 2025 extending the Maturity Date to July 29, 2026. The KeyBank Loan Agreement also provides for certain fees payable to KeyBank during its term. The initial term of the KeyBank Loan Agreement expires on the Maturity Date but may be extended from time to time at the request of KBS, subject to approval by KeyBank. KBS' obligations under the KeyBank Loan Agreement are guaranteed by the Company and secured by all of KBS' inventory, equipment, accounts and other intangibles, and all proceeds of the foregoing. Simultaneous with the execution of the KeyBank Loan Agreement, the Company entered into that certain Guaranty, dated April 24, 2024 (the "Guaranty"), pursuant to which the Company agreed to guarantee all amounts borrowed by KBS under the KeyBank Loan Agreement.

In the fourth quarter of 2024, KeyBank modified the covenants such that KBS is required to (i) have EBITDA of no less than $300 thousand for the three months ended December 31, 2024, and no less than $600 thousand for the six month ended March 31, 2025 (the "EBITDA covenant"); (ii) maintain a ratio of its Operating Cash Flow to its Total Fixed Charges of at least 1.25 to 1.0 measured quarterly for the preceding twelve month period, commencing with the fiscal quarter ending June 30, 2025, and for each subsequent fiscal quarter thereafter (the "FCCR Covenant"). Until such requirements are met, KBS is unable to upstream cash.

As of June 30, 2025, KBS was in compliance with the EBITDA covenant. The balance outstanding under the line was $0 as of June 30, 2025.

Term Loan Secured by Mortgage

On June 28, 2024, in connection with our acquisition of substantially all of the assets used in the business of Timber Technologies, Inc. which closed on May 17, 2024, Timber Properties, LLC ("Timber Properties"), an affiliate of the Seller, sold to 106 Bremer, LLC, a wholly-owned subsidiary of the Company ("106 Bremer"), all of Timber Properties' Owned Real Property pursuant to a Real Estate Sales Agreement for $3.0 million plus closing costs.

In connection with the purchase of the Owned Real Property, on June 28, 2024, 106 Bremer issued a Promissory Note in the principal amount of $3.0 million (the "TT Property Note") secured by a Mortgage (the "TT Property Mortgage") on the Owned Real Property to Timber Properties. All borrowings under the TT Property Note bear interest at 7.50%, with interest payable quarterly and the outstanding principal balance payable on June 29, 2034.

Bridgewater Facility

In connection with the completion of the TT Acquisition, on May 17, 2024, Timber Technologies Solutions, Inc., a wholly-owned subsidiary of the Company (the "Borrower"), entered into a Loan Agreement (the "Bridgewater Loan Agreement") with Bridgewater Bank ("Bridgewater") and issued a Term Promissory Note to Bridgewater in the amount of $7.0 million thereunder (the "Facility"). All borrowings under the Facility bear interest at 7.85%, with interest payable monthly and the outstanding principal balance payable on May 20, 2029 (the "Maturity Date"). The Bridgewater Loan Agreement also provides for certain fees payable to Bridgewater during its term, certain of which have been prepaid at closing. The Borrower's obligations under the Facility are guaranteed by the Company and secured by all of the Borrower's inventory, equipment, accounts and other intangibles, and all proceeds of the foregoing.

In connection with the Bridgewater Loan agreement, an amount of $1.0 million was required to be deposited with Bridgewater and be under the sole dominion and control of Bridgewater, and the Company shall not have any control over the use of, or any right to withdraw any amount of the restricted deposit. In the event that the Company maintains compliance with all of the financial covenants set forth in the Bridgewater Loan Agreement for four consecutive measurement dates, Bridgewater shall release a portion of the deposit. The $1.0 million deposit is recorded in Other Assets in the condensed Consolidated Balance Sheets.

Financial covenants require that TT maintain (i) a ratio of Cash Flow to Total Fixed Charges of not less than 1.30 to 1.00 as measured on each applicable Measurement Date on a trailing twelve (12) month basis; the first Measurement Date is September 30, 2024; (ii) maintain a ratio of Senior Funded Debt to trailing twelve (12) month Adjusted EBITDA not to exceed 3.00 to 1.00 as measured on each applicable Measurement Date for a Measurement Period; the first Measurement Date is June 30, 2025; (iii) maintain a ratio of Total Funded Debt to trailing twelve (12) month adjusted EBITDA not to exceed 4.00 to 1.00 as measured on each applicable Measurement Date for a Measurement Period; the first Measurement Date is June 30, 2025. TT was in compliance with its covenants as of June 30, 2025.

Note 8. Commitments and Contingencies

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

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

Note 9. 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. We continue to record a full valuation allowance against our deferred tax assets and intend to maintain a valuation allowance until sufficient positive evidence exists to support its reversal.

Intraperiod tax allocation rules require us to allocate our provision for income taxes between continuing operations and other categories of comprehensive income, such as discontinued operations.

For the three months ended June 30, 2025, we recorded an income tax expense of $457 thousand. For the three months ended June 30, 2024, we recorded an income tax benefit of $39 thousand. For the six months ended June 30, 2025, we recorded an income tax benefit of $1.7 million. For the six months ended June 30, 2024, we recorded an income tax benefit of $4 thousand.

The income tax benefit for the six months ended June 30, 2025, includes a discrete benefit of $2.0 million related to the valuation allowance release associated with Star's pre-existing tax attributes in relation to purchase accounting. Deferred tax liabilities were recorded in the ADT purchase accounting which provided support for the release of a portion of Star's valuation allowance when the entities were combined. An additional income tax expense of $268 thousand was recorded for the estimated cash taxes for which NOLs are limited during current tax law.

As of June 30, 2025, we had unrecognized tax benefits of approximately $300 thousand related to uncertain tax positions. Included in the unrecognized tax benefits were $300 thousand of tax benefits that, if recognized, would reduce our annual effective tax rate, subject to the valuation allowance.

Note 10. 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 Chief Operating Decision Maker ("CODM"), to evaluate segment performance, the availability of separate financial information, and overall materiality considerations. Effective as of the acquisition of ADT on March 3, 2025, our business divisions are organized into the following three reportable segments, reflecting the manner in which our CODM assesses performance and allocates resources:

1. Building Solutions
2. Energy Services
3. Investments

Our reporting segments have been determined based on the nature of the products and services offered to customers or the nature of their function in the organization. We evaluate performance based on gross profit and operating income (loss). Our operating costs included in our shared service functions primarily consist of senior executive officers, finance, human resources, legal, and information technology. Star Equity shared service corporate costs have been separated from the reportable segments. Prior period presentation previously disclosed conforms to current year presentation.

Segment information for the three and six months ended June 30, 2025 and 2024, respectively, is as follows (in thousands):

	Building Solutions	Energy Services	Investments	Corporate and Intersegment eliminations	Total
For the Three Months Ended June 30, 2025					
Revenues	$ 20,384	$ 3,324	$ 158	$ (158)	$ 23,708
Cost of revenues	15,141	2,240	74	—	17,455
Gross profit	$ 5,243	$ 1,084	$ 84	$ (158)	$ 6,253
Selling, general and administrative	3,286	877	84	2,173	6,420
Amortization of intangible assets	687	98	—	—	785
Income (loss) from operations	$ 1,270	$ 109	$ —	$ (2,331)	$ (952)
EBITDA	$ 2,214	$ 530	$ 5,033	$ (2,325)	$ 5,452
Depreciation and amortization	(965)	(417)	(74)	(8)	(1,464)
Interest income (expense), net	(163)	(97)	166	14	(80)
Income tax benefit (provision)	—	—	—	(457)	(457)
Net income (loss)	$ 1,086	$ 16	$ 5,125	$ (2,776)	$ 3,451

	Building Solutions	Energy Services	Investments	Corporate and Intersegment eliminations	Total
For the Three Months Ended June 30, 2024					
Revenues	$ 13,483	$ —	$ 194	$ (194)	$ 13,483
Cost of revenues	11,254	—	13	—	11,267
Gross profit	$ 2,229	$ —	$ 181	$ (194)	$ 2,216
Selling, general and administrative	2,481	—	1,372	1,486	5,339
Amortization of intangible assets	590	—	—	—	590
Income (loss) from operations	$ (842)	$ —	$ (1,191)	$ (1,680)	$ (3,713)
EBITDA	$ (203)	$ —	$ (1,451)	$ (1,598)	$ (3,252)
Depreciation and amortization	(774)	—	(13)	(8)	(795)
Interest income (expense), net	(138)	—	199	160	221
Income tax benefit (provision)	—	—	—	39	39
Net income (loss)	$ (1,115)	$ —	$ (1,265)	$ (1,407)	$ (3,787)

	Building Solutions	Energy Services	Investments	Corporate and Intersegment eliminations	Total
For the Six Months Ended June 30, 2025					
Revenues	$ 32,502	$ 4,130	$ 316	$ (316)	$ 36,632
Cost of revenues	24,330	2,764	149	—	27,243
Gross profit	$ 8,172	$ 1,366	$ 167	$ (316)	$ 9,389
Selling, general and administrative	6,194	1,151	134	4,200	11,679
Amortization of intangible assets	1,411	98	—	—	1,509
Income (loss) from operations	$ 567	$ 117	$ 33	$ (4,516)	$ (3,799)
EBITDA	$ 2,545	$ 720	$ 4,605	$ (4,484)	$ 3,386
Depreciation and amortization	(1,978)	(600)	(149)	(19)	(2,746)
Interest income (expense), net	(345)	(96)	321	22	(98)
Income tax benefit (provision)	—	—	—	1,733	1,733
Net income (loss)	$ 222	$ 24	$ 4,777	$ (2,748)	$ 2,275

	Building Solutions	Energy Services	Investments	Corporate and Intersegment eliminations	Total
For the Six Months Ended June 30, 2024					
Revenues	$ 22,601	$ —	$ 382	$ (382)	$ 22,601
Cost of revenues	18,694	—	117	—	18,811
Gross profit	$ 3,907	$ —	$ 265	$ (382)	$ 3,790
Selling, general and administrative	4,615	—	1,412	3,406	9,433
Amortization of intangible assets	1,032	—	—	—	1,032
Income (loss) from operations	$ (1,740)	$ —	$ (1,147)	$ (3,788)	$ (6,675)
EBITDA	$ (525)	$ —	$ (1,075)	$ (3,527)	$ (5,127)
Depreciation and amortization	(1,341)	—	(117)	(25)	(1,483)
Interest income (expense), net	(174)	—	390	379	595
Income tax benefit (provision)	—	—	—	4	4
Net income (loss)	$ (2,040)	$ —	$ (802)	$ (3,169)	$ (6,011)

SEC Regulation S-K 229.10(e)1(ii)(A) defines EBITDA as earnings before interest, taxes, depreciation and amortization. EBITDA is presented to provide additional information to investors about the Company's operations on a basis consistent with the measures that the Company uses to manage its operations and evaluate its performance. Management also uses this measurement to evaluate working capital requirements. EBITDA should not be considered in isolation or as a substitute for operating income and net income prepared in accordance with U.S. GAAP or as a measure of the Company's profitability.

Note 11. Mergers and Acquisitions

Alliance Drilling Tools

On March 3, 2025 (the "Closing Date"), we entered into a Merger Agreement through which we acquired ADT.

ADT operates a drilling equipment supply and repair business serving the oil and gas, geothermal, mining and water-well industries, with operations primarily in Texas and Wyoming. ADT is principally engaged in the business of renting equipment. ADT also sells used rental equipment, new equipment, parts and supplies, and offers repair services to support its customers.

In connection with the closing of the transaction, we paid the sellers total consideration which includes the following (in thousands):

Cash payments	$	4,185
Preferred shares at fair value		7,045
Indemnity liability to sellers		1,000
Working capital liability to sellers		250
Estimated amount due to seller		89
	$	12,568

At the closing $1.25 million of cash consideration and 100,000 of the preferred shares were held back from the sellers, subject to indemnification and working capital provisions. The liability related to working capital is expected to be settled within 30 days after 120 days of the Closing Date and is recorded as a current liability on our condensed consolidated balance sheet. The liability related to working capital was settled in the third quarter of 2025. The indemnity liability is expected to be settled within the earlier of 15 days of ADT's 2025 audited financials, which is expected to be within the earlier of 12 months of March 31, 2025, or 18 months of the Closing Date. We have recorded this as a current liability on our condensed consolidated balance sheet. The preferred shares held back are considered to be issued and outstanding at June 30, 2025 and are expected to be settled within 12 months of the Closing Date.

In accordance with ASC 805, *Business Combinations*, we accounted for this transaction as a business combination and recorded the acquired assets of ADT at their estimated fair value. The valuation of assets acquired and liabilities assumed has not yet been finalized as of June 30, 2025. The purchase price allocation is preliminary and subject to change, including the valuation of property and equipment, intangible assets, inventory, income taxes, and goodwill, among other items. The amounts recognized will be finalized as the information necessary to complete the analysis is obtained, but no later than one year after the acquisition date. Finalization of the valuation during the measurement period could result in a change in the amounts recorded for the acquisition date fair value. This business is reported as part of our Energy Services segment.

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

At March 3, 2025		
Cash and cash equivalents	$	545
Accounts receivable		2,468
Inventory		1,702
Other current assets		40
Land and Buildings		3,255
Equipment		3,426
Intangibles		3,100
Accounts payable		(547)
Other accrued liabilities		(177)
Deferred income taxes		(2,712)
Net assets acquired (liabilities assumed)	$	11,100
Goodwill		1,468
Estimated purchase price	$	12,568

The $3.1 million of identified intangible assets was allocated as follows (in thousands):

		Fair Value	Useful Life (years)
Trade Names	$	500	15
Customer Relationships		2,600	10
Fair value of identified intangible assets	$	3,100	

Goodwill and intangibles of $1.5 million and $3.1 million, respectively, were assigned to the Energy Services segment. The goodwill recognized is attributable primarily to expected synergies and the assembled workforce of ADT.

The Company recognized $0.5 million of acquisition related costs including legal and accounting that were expensed in 2024 and 2025.

The following represents certain information from the unaudited pro forma condensed Consolidated Statement of Operations as if ADT had been included in the consolidated results of the Company for the three and six months ending June 30, 2025 and 2024 (in thousands), as applicable:

	Three Months Ended June 30,	
Pro-forma	2024	
Revenue	$	16,027
Gross Profit	$	3,837
Net loss	$	(3,083)

	Six Months Ended June 30,			
Pro-forma	2025		2024	
Revenue	$	37,896	$	27,394
Gross Profit	$	11,231	$	6,680
Net loss	$	3,418	$	(4,924)

Timber Technologies Solutions

On May 17, 2024, we acquired, through certain wholly owned subsidiaries, substantially all of the assets of Timber Technologies Inc. and, on June 28, 2024, the real assets of Timber Properties, LLC (collectively, "TT") for total consideration of $23.7 million consisting of cash of $19.7 million, $1.0 million of escrow funds included in accrued liabilities, and a Term Loan Secured by a Mortgage of $3.0 million. We are also subject to payments due to the sellers contingent upon the achievement of certain EBITDA metrics over a 2-year period which may result in total payments not to exceed $4.1 million, 50% of which is payable in cash and 50% of which is payable in Series A Preferred Stock. These payments are also contingent upon the continued employment of the individual sellers. We have concluded that these payments are akin to compensation and will be recorded if and as such compensation is earned. For the three months ended June 30, 2025, we have accrued no amounts related to these payments as such achievement is deemed to have not been met. We have restricted $1.0 million of cash associated with the escrow funds payable to the sellers within 12 months after the acquisition as defined in the escrow agreement. Such amount was paid in July 2025.

In accordance with ASC 805, *Business Combinations*, we accounted for this transaction as a business combination and recorded the acquired assets of TT at fair value. This business is reported as part of our Building Solutions segment.

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

	As of Acquisition Date	
Accounts receivable, net	$	766
Inventory, net		2,836
Other current assets		2
Property and equipment, net		7,156
Intangibles		8,900
Net assets acquired	$	19,660
Goodwill		4,014
Purchase price	$	23,674

The $8.9 million of identified intangible assets was allocated as follows (in thousands):

	Fair Value		Useful Life (years)
Trade Names	$	1,970	15
Customer Relationships		6,640	10
Backlog		290	1
Fair value of identified intangible assets	$	8,900	

Goodwill and intangibles of $4.0 million and $8.9 million, respectively, were assigned to the Building Solutions segment. The goodwill recognized is attributable primarily to expected synergies and the assembled workforce of TT.

The Company recognized $0.2 million of acquisition related costs including legal and accounting that were expensed in 2024.

The following represents certain information from the unaudited pro forma condensed Consolidated Statement of Operations as if TT had been included in the consolidated results of the Company for the three and six months ending June 30, 2024 (in thousands):

	Three Months Ended June 30,	Six Months Ended June 30,
	2024	2024
Revenue	$ 18,145	$ 31,296
Gross profit	5,491	8,987
Net income (loss), net of tax	$ (2,065)	$ (2,943)

These amounts have been calculated after applying the Company's accounting policies and adjusting the results of TT to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant, and equipment and intangible assets had been applied on January 1, 2024, together with the consequential tax effects.

Note 12. Related Party Transactions

As of June 30, 2025, Mr. Eberwein, the Executive Chairman of our Board of Directors, owned 820,374 shares of Common Stock, representing approximately 25.43% of our outstanding Common Stock. In addition, as of June 30, 2025, Mr. Eberwein owned 1,182,414 shares of Series A Preferred Stock.

As a result of our long term investments, during 2025 and 2024 our CEO, Richard Coleman, held a Catalyst board position, and during 2024 held an Enservco board position.

Note 13. Perpetual Preferred Stock

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

On February 14, 2025, we announced that our board of directors declared a cash dividend to holders of our Series A Preferred Stock of $0.25 per share for an aggregate amount of approximately $0.5 million. The record date for this dividend was March 1, 2025, and the payment date was March 10, 2025. On May 20, 2025, we announced that our board of directors declared a cash dividend to holders of our Series A Preferred Stock of $0.25 per share for an aggregate amount of approximately $0.7 million. The record date for this dividend was June 1, 2025, and the payment date was June 10, 2025. As of June 30, 2025, we are current on our preferred dividend payments.

Note 14. Equity Transactions

On June 12, 2024, we filed a Certificate of Amendment to the Company's Restated Certificate of Incorporation (the "Amendment") with the Secretary of State of the State of Delaware in order to effect a reverse stock split of our common stock at a ratio of one-for-five (the "Reverse Split"). The Amendment does not affect the par value of our common stock.

The Reverse Split became effective on June 14, 2024, at 5:00 p.m. Eastern Time, at which time every five shares of the Company's issued and outstanding common stock were automatically combined into one share of common stock. Additionally, all stock options and warrants of the Company outstanding immediately prior to the Reverse Split were proportionally adjusted.

As of June 30, 2025, of the warrants issued through the public offering we closed on January 24, 2022, there were 10.9 million warrants outstanding at an exercise price of $7.50, and no prefunded warrants outstanding. The 0.3 million prefunded warrants were exercised at $0.01 per share in the third quarter of 2023. For every 1 warrant .20 of a share shall be issued. These warrants will expire in January 2027.

On August 7, 2024, the Company's Board authorized a stock buyback program for the repurchase of up to $1 million of the Company's common stock. The Company repurchased $0.3 million worth, or 73,855 shares, of its common stock in 2024.

Note 15. Preferred Stock Rights

On August 21, 2024, the Board declared a dividend to the Company's stockholders of record as of the close of business on September 3, 2024, for each outstanding share of the Company's common stock, of one right (a "Right") to purchase one one-thousandth of a share of a new series of participating preferred stock of the Company. Each right entitles the registered holder to purchase from the Company 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 terms of the Rights are set forth in the Tax Benefit Preservation Plan (the "Rights Plan"). The Rights Plan 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 Internal Revenue Code of 1986, as amended.

The Company also has a provision in its Amended and Restated Certificate of Incorporation which generally prohibits transfers of its common stock that could result in an ownership change.

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 Rights Plan); 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.

The Rights will expire on the earliest of (i) August 21, 2027, which is the third anniversary of the date on which our Board of Directors authorized and declared a dividend of the rights, or such earlier date as of which the Board determines that the Rights Plan is no longer necessary for the preservation of the Company's tax benefits, (ii) the time at which the Rights are redeemed, (iii) the time at which the Rights are exchanged, (iv) the effective time of the repeal of Section 382 of the Code or any successor statute if the Board determines that the Rights Plan is no longer necessary for the preservation of the Company's tax benefits, (v) the first day of a taxable year to which the Board determines that no NOLs or other tax benefits may be carried forward, and (vi) the day following the certification of the voting results of the Company's 2024 annual meeting of stockholders, if stockholder approval of the Rights Plan has not been obtained prior to that date.

The Board may redeem all (but not less than all) of the Rights for a redemption price of $0.0001 per Right at any time before a person or group has become an Acquiring Person. Once the Rights are redeemed, the right to exercise the Rights will terminate, and the only right of the holders of such Rights will be to receive the redemption price. The redemption price will be adjusted if the Company declares a stock split or issues a stock dividend on common stock. There is no impact to financial results as a result of the adoption of the Rights Plan for the six months ended June 30, 2025.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This management's discussion and analysis of financial condition and results of operations ("MD&A") contains forward-looking statements that involve risks and uncertainties. Please see "Important Information Regarding Forward-Looking Statements" for a discussion of the uncertainties, risks, and assumptions that may cause our actual results to differ materially from those discussed in the forward-looking statements. This discussion should be read in conjunction with our unaudited condensed consolidated financial statements and related notes thereto and the other disclosures contained elsewhere in this Quarterly Report on Form 10-Q, and the audited consolidated financial statements and related notes thereto for the fiscal year ended December 31, 2024, which were included in our Annual Report on Form 10-K, filed with the SEC on March 21, 2025.

The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods.

Overview

Star Equity Holdings, Inc. ("Star Equity," "Star," the "Company," "we," "our") is a diversified multi-industry holding company with three divisions. Our Building Solutions division, formerly called our "Construction" division, is our largest division and operates in the construction industry, a key sector of the economy. Our Energy Services division was created as a result of the acquisition of Alliance Drilling Tools, Inc. ("ADT') in the first quarter of 2025. In addition, we have an Investments division.

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

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

Our Investments division holds and manages certain of our corporate-owned real estate, including a manufacturing facility in Maine that is leased to KBS and a manufacturing facility in Wisconsin that is leased to TT. The Investments division manages internally-funded, concentrated minority investments in a small number of public companies. It also holds and manages a promissory note and a private equity stake in Catalyst. We acquired these interests in May 2023 as a result of the sale of Digirad Health. Our Investments division also holds an investment in Enservco Corporation consisting of an investment in Enservco Common Stock, an investment in Enservco Preferred Stock, and an investment in a call option, all of which were acquired in the third quarter of 2024 and which is discussed in Note 4. *Supplementary Balance Sheet Information* to the notes to our accompanying condensed consolidated financial statements.

On May 21, 2025, Hudson Global, Inc. ("Hudson"), HSON Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Hudson ("Merger Sub"), and Star Equity, entered into an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which, among other matters, and subject to the satisfaction or waiver of the conditions set forth in the Merger Agreement, Merger Sub will merge with and into Star Equity, with Star Equity continuing as the surviving corporation of the merger (the "Merger"), and a wholly owned subsidiary of Hudson. Subject to the terms and conditions of the Merger Agreement, upon the closing of the Merger and the other transactions contemplated by the Merger Agreement, each then-outstanding share of Star Equity common stock will be converted into the right to receive 0.23 shares of Hudson common stock calculated in accordance with the terms of the Merger Agreement and each then-outstanding share of Star Equity Series A preferred stock will be converted into the right to receive one (1) share of newly created Hudson Series A preferred stock in accordance with the terms of the Merger Agreement. The Company intends to seek the approval of its stockholders for the Merger at its special meeting of stockholders, currently scheduled for August 21, 2025. Additional information regarding the proposed Merger and the upcoming stockholder meeting is set forth in the Company's Current Report on Form 8-K dated May 22, 2025, Hudson's registration statement on Form S-4 (File No. 333-288531) declared effective by the SEC on July 22, 2025 and the Company's joint proxy statement/prospectus dated July 23, 2025.

If the Merger is consummated, pursuant to the Merger Agreement, Star Equity will become a wholly owned subsidiary of Hudson. In such case, Star Equity will be delisted from NASDAQ and will cease to be a public company with reporting obligations pursuant to the Exchange Act.

Strategy

Star Equity Holdings, Inc.

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, and 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 common stock valuation. We may pursue our goals through organic growth and through strategic alternatives, such as selective acquisitions of businesses, divestitures of assets or businesses, equity offerings, debt financings, or corporate restructuring.

Operating Business

We believe that our operating companies are well positioned for growth in large addressable markets. The key elements of our growth strategy include the following:

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

Current Market Conditions

The target customers for our Building Solutions division include professional home builders, general contractors, project owners, developers, and design firms. Despite a higher interest rate environment, we are continuing to see significant demand for our products, although there have been execution delays as customers secure and finalize project financing. We have benefited from implementing both price increases and margin protection language in our contracts, and these changes have had a positive effect on our profitability. We have experienced slower business activity over the last four quarters and related lower revenues, but believe this slowdown is temporary. Our sales pipelines continue to indicate strong potential demand for our services, but we can give no assurances as to our ability to compete for these opportunities, or the periods during which successfully negotiated projects will be completed.

Trends and Drivers

The Modular Building Institute has estimated that permanent modular construction increased as a percentage of the construction industry from 2.14% in 2015 to 6.64% as of the end of 2023. In turn, in our Building Solutions division, we continue to see a greater acceptance of offsite or prefab construction in single-family and multi-family residential building projects in our target markets. Our modular units and structural wall panels offer builders a number of benefits over traditional onsite or “stick built” construction. These include shorter time to market, higher quality, reduced waste, and potential cost savings. Additionally, technological advancements including 3D modeling software and developments in engineered wood products offer greater design flexibility for higher-end applications. The need for more affordable housing solutions also presents opportunities for the continued growth of factory-built housing.

The demand for our Energy services offering is tied in part to oil and gas prices, drilling activity, and capital expenditures by E&P companies. In June 2025, Baker Hughes reported that the total U.S. rig count is down 4% year-over-year.

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.

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 ("CODM"), to evaluate segment performance, the availability of separate financial information, and overall materiality considerations. Our business divisions are organized into the following three reportable segments, reflecting the manner in which our CODM assesses performance and allocates resources.

- Building Solutions (formerly known as our Construction division)
- Energy Services
- Investments

Building Solutions

Our Building Solutions division services residential and commercial construction projects via our KBS, EdgeBuilder, Glenbrook, and TT brands, through which we manufacture modular housing units, structural wall panels, permanent wood foundation systems and other engineered wood products, supply general contractors and retail customers with building materials, and manufacture glue-laminated timber products ("glulam").

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 and design team. 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 team focuses 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 salespeople 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 the use of sales support tools. These efforts are designed to generate sales leads for our independent builders and dealers, and direct salespeople.

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

TT manufactures glulam for various end markets and applications, including agriculture, industrial, infrastructure, and building construction (commercial and residential). Its glulam products have superior strength, durability, and environmental sustainability compared to solid timber and other building materials. Operating in a niche industry and benefiting from secular tailwinds, TT's glulam products have been taking market share from less sustainable building materials such as steel, concrete, and aluminum.

Energy Services

Our Energy Services division currently consists of ADT, a Wyoming and Texas based provider of tools and services to the Energy industry, a key sector of the economy, which we acquired in March 2025. ADT is a full-service downhole drilling tool company which provides sale and rental tools in the Oil & Gas, Geothermal, Mining, and Waterwells sectors. ADT is strategically located near premier oilfields in the Rockies, a geothermal and mining hub, and in Midland, TX within the Permian Basin. ADT's business model allows for the majority of costs, such as freight, repairs, and damages to be passed directly to customers.

Investments

At June 30, 2025, we hold two real estate assets in our portfolio which we leased to our Building Solutions subsidiaries; one property is leased to KBS and one property is leased to TT. These properties are located in Oxford, Maine and Colfax, Wisconsin, respectively. In addition, we continue to expand our investment activities and have established minority positions in the equity securities of a small number of publicly traded companies, as well as the debt and equity holdings in Catalyst and Enservco.

Critical Accounting Policies and Estimates

In preparing our financial statements, we make estimates, assumptions and judgments that can have a significant impact on our revenue and net income or loss, as well as on the value of certain assets and liabilities on our condensed Consolidated Balance Sheets. We believe that the estimates, assumptions, and judgments involved in the accounting policies described in *Management's Discussion and Analysis of Financial Condition* and *Results of Operations* in Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2024 have the greatest potential impact on our financial statements, so we consider them to be our critical accounting policies and estimates.

Results of Operations

Comparison of the Three Months Ended June 30, 2025 and 2024

The following table summarizes our results for the three months ended June 30, 2025 and 2024 (in thousands):

	Three Months Ended June 30,					
					Change from Prior Year	
	2025	Percent of Revenues	2024	Percent of Revenues	Dollars	Percent *
Total revenues	$ 23,708	100.0 %	$ 13,483	100.0 %	$ 10,225	75.8 %
Total cost of revenues	17,455	73.6 %	11,267	83.6 %	6,188	54.9 %
Gross profit	6,253	26.4 %	2,216	16.4 %	4,037	182.2 %
Total operating expenses	7,205	30.4 %	5,929	44.0 %	1,276	21.5 %
Income (loss) from operations	(952)	4.0 %	(3,713)	27.5 %	2,761	74.4 %
Total other income (expense)	4,860	20.5 %	(113)	0.8 %	4,973	4,400.9 %
Income (loss) before income taxes	3,908	16.5 %	(3,826)	28.4 %	7,734	202.1 %
Income tax benefit (provision)	(457)	1.9 %	39	0.3 %	(496)	(1,271.8)%
Net income (loss)	$ 3,451	14.6 %	$ (3,787)	28.1 %	$ 7,238	191.1 %

Percentage may not add due to rounding

Revenues

Building Solutions Revenue

Building Solutions revenue is summarized as follows (in thousands):

	Three Months Ended June 30,			
	2025	2024	Change	% Change
Building Solutions Revenue	$ 20,384	$ 13,483	$ 6,901	51.2 %

Building Solutions revenues increased in the second quarter of 2025 versus the second quarter of 2024 primarily as a result of the inclusion of a full quarter of revenues from TT in 2025 and improved business activity at KBS and EBGL. Despite continued economic uncertainty, our backlog and sales pipeline indicate continued strong demand for new projects, and, although the revenue impact and timing are uncertain, customer feedback and the improving interest rate environment make us confident in our ability to convert this pipeline into signed contracts in the coming months.

Energy Services Revenue

Energy Services revenue consists of the results of ADT as follows (in thousands):

	Three Months Ended June 30,			
	2025	2024	Change	% Change
Energy Services Revenue	$ 3,324	$ —	$ 3,324	N/M

Gross Profit

Building Solutions Gross Profit

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

	Three Months Ended June 30,			
	2025	2024	$ Change	% Change
Building Solutions gross profit (loss)	$ 5,243	$ 2,229	$ 3,014	135.2 %
Building Solutions gross margin	25.7 %	16.5 %		

Building Solutions gross profit and gross margin increased primarily as a result of the inclusion of revenues from TT, which are generally higher than those in our other wood-based businesses, and improved gross profit and gross margin at EBGL and KBS as production increased and we realized direct labor efficiencies.

Energy Services Gross Profit

Energy Services gross profit consists of the results of ADT as follows (in thousands):

	Three Months Ended June 30,			
	2025	2024	$ Change	% Change
Energy Services gross profit (loss)	$ 1,084	$ —	$ 1,084	N/M
Energy Services gross margin	32.6 %	— %		

Investments Gross Loss

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

	Three Months Ended June 30,			
	2025	2024	$ Change	% Change
Investments gross profit (loss)	$ (74)	$ (13)	$ (61)	(469.2)%

Investments gross loss relates to depreciation expense associated with the commercial facilities that we own. These consist of an idle facility in Maine, and a manufacturing facility at TT in Wisconsin ("TT facility"). In 2024 these included the properties sold as part of our sale leaseback transactions. Depreciation expense increased in 2025 versus 2024 primarily due to the addition of depreciation expense related to the TT facility, partially offset by the elimination of depreciation expense on our properties which were sold as part of our sale leaseback transactions. We record unrealized and realized gains on sales of our investments and real estate, as well as asset impairment, as a component of other income/expense.

Operating Expenses

Operating expenses are summarized as follows (in thousands):

	Three Months Ended June 30,				Percent of Revenues	
			Change			
	2025	2024	Dollars	Percent	2025	2024
Selling, general and administrative	$ 6,420	$ 5,339	$ 1,081	20.2 %	27.1 %	39.6 %
Amortization of intangible assets	785	590	195	33.1 %	3.3 %	4.4 %
Total operating expenses	$ 7,205	$ 5,929	$ 1,276	21.5 %	30.4 %	44.0 %

On a consolidated basis, there was a $1.1 million increase in sales, general and administrative expenses ("SG&A"). The major driver of this increase in the second quarter of 2025 was the inclusion of SG&A from ADT and, to a lesser extent, TT. SG&A, as a percentage of revenue, decreased to 27% for the three months ended June 30, 2025 versus 40% in the prior year period due to a higher revenue base.

Total Other Income (Expense)

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

	Three Months Ended June 30,	
	2025	2024
Other income (expense), net	$ 4,940	$ (334)
Interest income (expense), net	(80)	221
Total other income (expense), net	$ 4,860	$ (113)

Other income (expense), net, for the three months ended June 30, 2025 and 2024 is predominately comprised of realized and unrealized gains and losses from available for sale securities recorded in our Investments division, and finance costs. 2025 also includes the unrealized loss on our Investment in Enservco of $240 thousand and an impairment of our Catalyst cost method investment of $371 thousand. For the quarter ended June 30, 2025, the largest component of Other income (expense) was a realized gain recognized in connection with the sale of Servotronics, Inc. (“SVT”) common shares. The shares were sold primarily via tender offer during the second quarter of 2025, which resulted in a realized gain of approximately $5.5 million.

Interest income (expense), net, for the three months ended June 30, 2025 was unfavorable compared to 2024 due to a less favorable net cash and debt position in 2025.

Income Tax Expense

For the three months ended June 30, 2025 and 2024 we recorded a $0.5 million income tax expense and a $39 thousand income tax benefit, respectively. See Note 9. “Income Taxes” within the notes to our condensed consolidated financial statements for further information related to the income taxes.

Results of Continuing Operations

Comparison of the Six Months Ended June 30, 2025 and 2024

The following table summarizes our results for the six months ended June 30, 2025 and 2024 (in thousands):

	Six Months Ended June 30,					
					Change from Prior Year	
	2025	Percent of Revenues	2024	Percent of Revenues	Dollars	Percent *
Total revenues	$ 36,632	100.0 %	$ 22,601	100.0 %	$ 14,031	62.1 %
Total cost of revenues	27,243	74.4 %	18,811	83.2 %	8,432	44.8 %
Gross profit	9,389	25.6 %	3,790	16.8 %	5,599	147.7 %
Total operating expenses	13,188	36.0 %	10,465	46.3 %	2,723	26.0 %
Income (loss) from operations	(3,799)	10.4 %	(6,675)	29.5 %	2,876	43.1 %
Total other income (expense)	4,341	11.9 %	660	2.9 %	3,681	557.7 %
Income (loss) before income taxes	542	1.5 %	(6,015)	26.6 %	6,557	109.0 %
Income tax benefit (provision)	1,733	4.7 %	4	— %	1,729	43,225.0 %
Net income (loss)	$ 2,275	6.2 %	$ (6,011)	26.6 %	$ 8,286	137.8 %

Percentage may not add due to rounding

Revenues

Building Solutions Revenue

Building Solutions revenue is summarized as follows (in thousands):

	Six Months Ended June 30,			
	2025	2024	Change	% Change
Building Solutions Revenue	$ 32,502	$ 22,601	$ 9,901	43.8 %

Building Solutions revenues increased during 2025 versus 2024 primarily as a result of the inclusion of a full six months of revenues from TT in 2025 and improved results at KBS and EBGL. Despite continued economic uncertainty, our backlog and sales pipeline indicate continued strong demand for new projects, and, although the revenue impact and timing are uncertain, customer feedback and the improving interest rate environment make us confident in our ability to convert this pipeline into signed contracts in the coming months.

Energy Services Revenue

Energy Services revenue consists of the results of ADT from the date of acquisition as follows (in thousands):

	Six Months Ended June 30,			
	2025	**2024**	**Change**	**% Change**
Energy Services Revenue	$ 4,130	$ —	$ 4,130	N/M

Gross Profit

Building Solutions Gross Profit

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

	Six Months Ended June 30,			
	2025	**2024**	**$ Change**	**% Change**
Building Solutions gross profit	$ 8,172	$ 3,907	$ 4,265	(109.2)%
Building Solutions gross margin	25.1 %	17.3 %		

Building Solutions gross profit and gross margin increased during 2025 primarily as a result of the inclusion of revenues from TT, which are generally higher than those in our other wood-based businesses, and improved gross profit and gross margin at EBGL and KBS as production increased and we realized direct labor efficiencies.

Energy Services Gross Profit

Energy Services gross profit consists of the results of ADT from the date of acquisition as follows (in thousands):

	Six Months Ended June 30,			
	2025	**2024**	**$ Change**	**% Change**
Energy Services gross profit	$ 1,366	$ —	$ 1,366	N/M
Energy Services gross margin	33.1 %	— %		

Investments Gross Loss

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

	Six Months Ended June 30,			
	2025	**2024**	**$ Change**	**% Change**
Investments gross profit (loss)	$ (149)	$ (117)	$ (32)	(27.4)%

Investments gross loss relates to depreciation expense associated with the commercial facilities that we own. These consist of an idle facility in Maine, and a manufacturing facility at TT in Wisconsin (“TT facility”). In 2024 these included the properties sold as part of our sale leaseback transactions, and the TT facility from the date of the acquisition. Depreciation expense increased in 2025 versus 2024 primarily due to the the addition of depreciation expense related to the TT facility partially offset by the elimination of depreciation expense on our properties which were sold as part of our sale leaseback transactions. We record unrealized and realized gains on sales of our investments and real estate, as well as, effective in the fourth quarter of 2024, any impairment of our Catalyst investment, as a component of other income/expense.

Operating Expenses

Operating expenses are summarized as follows (in thousands):

	Six Months Ended June 30,				Percent of Revenues	
			Change			
	2025	2024	Dollars	Percent	2025	2024
Selling, general and administrative	$ 11,679	$ 9,433	$ 2,246	23.8 %	31.9 %	41.7 %
Amortization of intangible assets	1,509	1,032	477	46.2 %	4.1 %	4.6 %
Total operating expenses	$ 13,188	$ 10,465	$ 2,723	26.0 %	36.0 %	46.3 %

On a consolidated basis, there was a $2.2 million increase in sales, general and administrative expenses ("SG&A"). The major driver of this increase during 2025 was the inclusion of SG&A from ADT and TT. SG&A, as a percentage of revenue, decreased to 31.9% for the six months ended June 30, 2025 versus 41.7% in the prior year period due to a higher revenue base.

Total Other Income (Expense)

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

	Six Months Ended June 30,	
	2025	2024
Other income (expense), net	$ 4,439	$ 65
Interest income (expense), net	(98)	595
Total other income (expense), net	$ 4,341	$ 660

Other income (expenses), net, for the six months ended June 30, 2025 and 2024 is predominately comprised of realized and unrealized gains and losses from available for sale securities recorded in our Investments division and finance costs. 2025 also includes the unrealized loss on our Investment in Enservco of $491 thousand and an impairment of our Catalyst cost method investment of $432 thousand. The largest component of Other income (expense), net for the 2025 period related to realized gains on common shares of SVT, which were sold primarily via tender offer in the second quarter of 2025, the gain on which was approximately $5.5 million.

Interest income (expense), net, for the six months ended June 30, 2025 decreased compared to the same period last year due to a less favorable net cash and debt position in 2025.

Income Tax Expense

For the six months ended June 30, 2025 and 2024 we recorded a $1.7 million income tax benefit and a $39 thousand income tax benefit, respectively. See Note 9. "Income Taxes" within the notes to our condensed consolidated financial statements for further information related to the income taxes.

Liquidity and Capital Resources

Overview

Summary Cash Flows

The following table shows cash flow information for the six months ended June 30, 2025 and 2024 (in thousands):

	Six Months Ended June 30,	
	2025	2024
Net cash provided by (used in) operating activities	$ (1,144)	$ (4,265)
Net cash provided by (used in) investing activities	$ (4,550)	$ (18,944)
Net cash provided by (used in) financing activities	$ 3,532	$ 8,322

Cash Flows from Operating Activities

For the six months ended June 30, 2025, net cash used in operating activities was $1.1 million, compared to $4.3 million in net cash used in operating activities in 2024. The decrease in net cash used in operating activities is attributable to favorable results from operations, particularly in our Building Solutions division.

Cash Flows from Investing Activities

For the six months ended June 30, 2025, net cash used in investing activities, was $4.6 million, compared to 2024 net cash used in investing activities of $18.9 million, primarily attributable to cash paid for the acquisition of ADT in 2025 of $4.2 million. 2024 cash used in investing activities included cash paid for TT of $19.1 million, including new debt facilities entered into to support the TT acquisition.

Cash Flows from Financing Activities

For the six months ended June 30, 2025, net cash provided by financing activities was $3.5 million, compared to net cash provided by financing activities of $8.3 million in 2024. The decrease in cash provided by financing activities relates to lower net debt utilization on our revolving credit facilities as well as incurring less debt related to the funding of acquisitions.

Sources of Liquidity

Our principal sources of liquidity are our existing cash and cash equivalents and cash generated from operations as well as our lines of credit and other debt instruments. As of June 30, 2025, we had $3.5 million of cash and cash equivalents. As discussed in Note 7, “Debt,” we have approximately $14.3 million in debt at June 30, 2025.

Common Stock Equity Offering

As of June 30, 2025, of the warrants issued through the public offering completed on January 24, 2022, no warrants had been exercised and 10.9 million warrants remained outstanding, which represents 2.2 million shares of common stock equivalents, at an exercise price of $7.50, and no prefunded warrants were outstanding. Additionally, the Company issued to its underwriter 237,500 common stock purchase warrants (the “Underwriter’s Warrants”) to purchase up to 47,500 shares of Common Stock at an exercise price of $8.25 per common warrant. These warrants are outstanding at June 30, 2025.

See Note 14. “Equity Transactions” in the accompanying notes to the unaudited condensed consolidated financial statements for further details.

Credit Facilities

See Note.7. “Debt”, in the accompanying notes to the condensed consolidated financial statements for further details.

Off-Balance Sheet Arrangements

As of June 30, 2025, there were no off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. 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 June 30, 2025, our internal control over financial reporting was effective based on those criteria.

Management has not yet determined whether the effectiveness of ADT’s controls will be assessed in 2025.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 under the Exchange Act that occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 8. "Commitments and Contingencies" within the notes to our condensed consolidated financial statements for a summary of legal proceedings.

ITEM 1A. RISK FACTORS

In evaluating us and our common stock, we urge you to carefully consider the risks and other information in this Quarterly Report on Form 10-Q, as well as the risk factors disclosed in Item 1A to Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2024, which we filed with the SEC on March 21, 2025. Except as noted below, the risks and uncertainties described in "Item 1A - Risk Factors" of our Annual Report on Form 10-K have not materially changed. Any of the risks discussed in this Quarterly Report on Form 10-Q or any of the risks disclosed in Item 1A to Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2024, as well as additional risks and uncertainties not currently known to us or that we currently deem immaterial, could materially and adversely affect our results of operations or financial condition.

Our business strategy includes acquisitions, and acquisitions entail numerous risks, including the risk of management diversion and increased costs and expenses, all of which could negatively affect the Company's profitability.

Our business strategy includes, among other things, strategic acquisitions, as well as potential opportunistic acquisitions and strategic actions with respect to our existing investments, such as restructurings, strategic partnerships and collaborations, and activist activity. This overall acquisition and investment strategy entails several potential risks, including diverting management's attention from other business concerns, incurring substantial legal and other advisory fees (including, in the case of activist activity, proxy solicitation fees), and financing such acquisitions with additional equity and/or debt. Additionally, to the extent that we are already invested in the entities that are the subject of our acquisitions and other activities, our actions may be temporarily disruptive to the value of the investments, which could adversely affect our financial condition.

In addition, once completed, acquisitions may entail further risks, including: unanticipated costs and liabilities of the acquired businesses, including environmental liabilities, that could materially adversely affect our results of operations. These include: increased regulatory compliance relating to the acquired business; difficulties in assimilating acquired businesses, their personnel and their financial reporting systems, which would prevent the expected benefits from the transaction from being realized within the anticipated timeframe; negative effects on existing business relationships with suppliers and customers; and loss of key employees of the acquired businesses. In addition, any future acquisitions could cause us to incur additional debt and related interest expense, as well as contingent liabilities and amortization expense related to intangible assets, which could have a material adverse effect on our business, financial condition, operating results and cash flows, or the issuance of additional equity, which could dilute our stockholder's equity interests.

There can be no assurance that we will be able to negotiate any pending acquisition successfully, receive the required approvals for any acquisition or otherwise conclude any acquisition successfully, or that any acquisition will achieve the anticipated synergies or other positive results. Overall, if our acquisition strategy is not successful or if acquisitions are not well integrated into our existing operations, the Company's profitability, business, and financial condition could be negatively affected.

We may sustain losses in our investment portfolio, which could have an adverse effect on our results of operations, financial condition and liquidity.

A portion of our assets consists of equity securities which are adjusted to fair value each period, as well as other investments. An adverse change in economic conditions or setbacks to such companies, their operations or business models may result in a decline in the value of these investments. Such declines in value are principally recognized in net income or loss in accordance with GAAP. Any adverse changes in the financial markets and declines in value of our investments may result in additional losses and could have an adverse effect on our results of operations, financial condition and liquidity.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Security Trading Plans of Directors and Executive Officers

None of the Company's directors or executive officers adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the Company's fiscal quarter ended June 30, 2025, as such terms are defined under Item 408(a) or Regulation S-K.

ITEM 6. EXHIBITS

Exhibit Number	Description
2.1	Agreement and Plan of Merger by and between Star Equity Holdings, Inc., and Hudson Global, Inc., dated as of May 21, 2055 (incorporated by reference to Exhibit 2.1 to Star Equity Holdings, Inc.'s Current Report on Form 8-K dated May 22, 2025).
10.1	Form of Star Support Agreement (incorporated by reference to Exhibit 10.1 to Star Equity Holdings, Inc.'s Current Report on Form 8-K dated May 22, 2025 (File No. 001-35947).
10.2	Form of Hudson Support Agreement (incorporated by reference to Exhibit 10.2 to Star Equity Holdings, Inc.'s Current Report on Form 8-K dated May 22, 2025 (File No. 001-35947).
31.1*	Certification of the Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated pursuant to the Securities Exchange Act of 1934, as amended.
31.2*	Certification of the Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated pursuant to the Securities Exchange Act of 1934, as amended.
32.1**	Certification of the Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase
101.LAB*	Inline XBRL Taxonomy Extension Labels Linkbase
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase
104.1	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).

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* Filed herewith.

** This certification is being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of Star Equity Holdings, Inc., whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		STAR EQUITY HOLDINGS, INC.	
Date:	August 13, 2025	By:	/s/ RICHARD K. COLEMAN, JR.
			Richard K. Coleman, Jr. Chief Executive Officer (Principal Executive Officer)
			/s/ DAVID J. NOBLE
			David J. Noble Chief Financial Officer (Principal Financial and Accounting Officer)

EXHIBIT 31.1

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 quarterly report on Form 10-Q 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(s) 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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 (or persons performing the equivalent functions):

   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.

August 13, 2025

/s/ Richard K. Coleman, Jr.

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

EXHIBIT 31.2

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

I, David J. Noble, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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(s) 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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 (or persons performing the equivalent functions):

   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.

August 13, 2025

/s/ David J. Noble

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

EXHIBIT 32.1

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

In connection with the accompanying Quarterly Report on Form 10-Q of Star Equity Holdings, Inc. for the period ended June 30, 2025, 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 Quarterly Report on Form 10-Q of Star Equity Holdings, Inc. for the period ended June 30, 2025, 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 Quarterly Report on Form 10-Q of Star Equity Holdings, Inc. for the period ended June 30, 2025, fairly presents, in all material respects, the financial condition and results of operations of Star Equity Holdings, Inc. at the dates and for the periods indicated.

This certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

August 13, 2025

/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.

EXHIBIT 32.2

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

In connection with the accompanying Quarterly Report on Form 10-Q of Star Equity Holdings, Inc. for the period ended June 30, 2025, 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 Quarterly Report on Form 10-Q of Star Equity Holdings, Inc. for the period ended June 30, 2025, 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 Quarterly Report on Form 10-Q of Star Equity Holdings, Inc. for the period ended June 30, 2025, fairly presents, in all material respects, the financial condition and results of operations of Star Equity Holdings, Inc. at the dates and for the periods indicated.

This certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

August 13, 2025

/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.