Digirad

2019 ANNUAL REPORT

Dear Fellow Shareholders,

The year 2019 was a transformational one for Digirad. During the year, we completed our conversion to a multi-industry holding company, a concept we refer to as "Holdco", via the acquisition of ATRM Holdings, Inc. that closed in September, and we established three business divisions: Healthcare, Building & Construction, and Real Estate & Investments.

Since then, we have begun to execute on our HoldCo growth strategy and value enhancement initiatives, which we believe will lead to increased revenue, cash flow, earnings, and, ultimately, stockholder value. Over time, we expect to use our cash flow to accelerate our growth by funding both internal growth investments and bolt-on acquisitions. We will also look to create new business divisions in the future through the disciplined acquisition of businesses complementary to our holding company structure. In addition, as we have done in the past, we are exploring the potential divestiture of non-strategic assets.

Digirad's core businesses exceeded expectations for the year. For full year 2019, total revenue increased by 9.6% to $114.2 million, gross profit increased by 21.0% to $22.1 million, net loss from continuing operations, excluding merger related expenses, decreased substantially to $2.6 million, and non-GAAP adjusted EBITDA from continuing operations increased by 29.2% to $7.7 million. These improvements were mainly due to additional revenue and gross profit generated by our recently established Building & Construction division and the steps taken to increase sales of higher margin products in our Healthcare division.

Additionally, Digirad Corporation has approximately $91.6 million of useable net operating loss carryforwards ("NOL") in the U.S., which the Company considers to be a very valuable asset for its stockholders, especially with the successful execution of our HoldCo growth strategy. In order to protect the value of this NOL for all stockholders, the Company has a charter amendment in place limiting beneficial ownership of Digirad common stock to 4.99%. Stockholders who wish to own more than 4.99%, or who already own more than 4.99% and wish to buy more, may only acquire additional shares with the board's prior written approval.

Looking back at everything we accomplished in 2019 and the steps we are taking to execute on several value enhancement initiatives, we strongly believe we have a bright future ahead of us. We are very excited about our prospects and our potential for growth through our new HoldCo strategy. The entire management team at Digirad is dedicated to this growth strategy, and we are working hard to generate value for YOU, the stockholder. As a sign of our belief, Digirad's board and management team purchased a significant amount of stock in the open market in 2019.

Thank you to our stockholders, employees, board, and management team - we accomplished many things in 2019 and, with your continued support, we will continue to do so in the years to come.

Sincerely,

Matthew G. Molchan
President and Chief Executive Officer

BOARD OF DIRECTORS

Jeffrey E. Eberwein
Chairman of the Board

Dimitrios J. Angelis
Director

Michael A. Cunnion
Director

Matthew G. Molchan
Director

John W. Sayward
Director

Mitch I. Quain
Director

OFFICERS & EXECUTIVES

Matthew G. Molchan
President and
Chief Executive Officer

David J. Noble
Chief Operating Officer and
Chief Financial Officer

Martin B. Shirley
President,
Digirad Imaging Solutions

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Digirad

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2019

or

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

For the transition period from to

Commission file number: 001-35947

Digirad Corporation

(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.)
1048 Industrial Court, Suwanee, GA	**30024**
(Address of Principal Executive Offices)	(Zip Code)

(858) 726-1600

(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	**DRAD**	**NASDAQ Global Market**
Series A Cumulative Perpetual Preferred Stock, par value $0.0001 per share	**DRADP**	**NASDAQ Global Market**

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

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

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

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

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

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

Large accelerated filer	☐	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 ☒

The aggregate market value of the voting common stock held by non-affiliates based on the closing stock price on June 30, 2019, was $11.6 million. For purposes of this computation only, all executive officers and directors have been deemed affiliates.

The number of outstanding shares of the registrant's common stock, par value $0.0001 per share, as of February 28, 2020 was 2,050,659.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after registrant's fiscal year ended December 31, 2019 are incorporated by reference into Part III of this report.

DIGIRAD CORPORATION
FORM 10-K—ANNUAL REPORT
For the Fiscal Year Ended December 31, 2019
Table of Contents

PART I

Cautionary Statement Regarding Forward-Looking Statements

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

Corporate Information

Digirad Corporation ("Digirad") was incorporated in Delaware in 1997. Unless the context requires otherwise, in this report the terms "we," "us," and, "our" refer to Digirad and our wholly-owned subsidiaries.

ITEM 1. BUSINESS

Overview

Upon Digirad's acquisition of ATRM Holdings, Inc. ("ATRM") on September 10, 2019 (the "ATRM Merger" or the "ATRM Acquisition"), Digirad converted into a diversified holding company (the "HoldCo Conversion"). As a diversified holding company, Digirad has three divisions:

- Healthcare (Digirad Health): designs, manufactures, and distributes diagnostic medical imaging products. Digirad Health operates in three businesses: Diagnostic Services, Mobile Healthcare, and Diagnostic Imaging. The Diagnostic Services business offers imaging and monitoring services to healthcare providers as an alternative to purchasing the equipment or outsourcing the job to another physician or imaging center. The Mobile Healthcare business provides contract diagnostic imaging, including computerized tomography ("CT"), magnetic resonance imaging ("MRI"), positron emission tomography ("PET"), PET/CT, and nuclear medicine and healthcare expertise through a convenient mobile service. The Diagnostic Imaging business develops, sells, and maintains solid-state gamma cameras.
- Building and Construction (ATRM): services residential and commercial construction projects by manufacturing modular housing units, structural wall panels, permanent wood foundation systems, and other engineered wood products, and supplies general contractors with building materials.
- Real Estate and Investments: manages real estate assets (currently three manufacturing plants in Maine) and investments.

Healthcare (Digirad Health) delivers convenient, effective, and efficient healthcare solutions on an as needed, when needed, and where needed basis. Digirad's diverse portfolio of mobile healthcare solutions and diagnostic imaging equipment and services provides hospitals, physician practices, and imaging centers throughout the United States access to technology and services necessary to provide patient care in the rapidly changing healthcare environment. Digirad's direct and indirect subsidiaries that are included in this division are referred to collectively herein as the "Healthcare Subsidiaries."

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

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

On September 10, 2019, Digirad completed its acquisition of ATRM pursuant to an Agreement and Plan of Merger, dated as of July 3, 2019 (the "ATRM Merger Agreement"), among Digirad, Digirad Acquisition Corporation, a Minnesota corporation and wholly-owned subsidiary of Digirad ("Merger Sub"), and ATRM. Under the terms of the ATRM Merger Agreement, Merger Sub merged with and into ATRM, with ATRM surviving as a wholly owned subsidiary of Digirad.

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

As a result of the ATRM Merger, ATRM's operations have been included in our consolidated financial statements since the ATRM Acquisition Date. Digirad's aim with this acquisition is to continue to grow its business into an integrated healthcare services company while simultaneously converting into a diversified holding company through the acquisition of businesses that meet Digirad's internally developed financial screen for acquisitions. The Company expects to achieve significant synergies and cost reductions by eliminating redundant processes and facilities.

Our Competitive Strengths

Healthcare Services and Products

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

- *Broad Portfolio of Imaging Services.* Approximately 77.9% of our revenues are derived from diagnostic imaging services to our customers. We have developed and continue to refine an industry-leading, customer-service focused approach to our customers. We have found our focus in this area is a key factor in acquiring and keeping our service-based customers.
- *Unique Dual Sales and Service Offering.* For the majority of our businesses, we offer a service-based model to our customers, allowing them to avoid making costly capital and logistical investments required to offer these services internally. Further, for a portion of our business, we have the ability to sell the underlying capital equipment directly to our customers should their needs change and they desire to provide services on their own with the underlying capital equipment. This ability to serve our customers in a variety of capacities from selling equipment directly, or providing more flexibility through a service-based model, allows us to serve our customers according to their exact needs, as well as the ability to capture both ends of the revenue spectrum.
- *Utilization of Highly Trained Staff.* We recruit and maintain highly trained staff for our clinical and repair services, which in turn allows us to provide superior and more efficient services.
- *Leading Solid-State Technology.* Our solid-state gamma cameras utilize proprietary photo detector modules that enable us to build smaller and lighter cameras that are portable with a degree of ruggedness that can withstand the vibration associated with transportation. Our dedicated cardiac imagers require a floor space of as little as seven feet by eight feet, can generally can be installed without facility renovations, and use standard power. Our portable cameras are ideal for mobile operators or practices desiring to service multiple office locations or imaging facilities.

Construction Services and Products

Our competitive strengths at KBS include our ability to provide high quality products for both commercial and residential buildings with a focus on customization to suit the project requirements, provide value with our engineering and design expertise, and to meet the time frame needed by the customer.

Our competitive strengths at Glenbrook include high quality building materials and unmatched service and attention to detail to building professionals and homeowners. In addition, we provide highly personalized service, knowledgeable salespeople and attention to detail that the larger, big-box chain home stores do not provide. In EdgeBuilder, we offer a superior product unique to the project's requirements, provide value with our engineering and design expertise, and deliver product when required by the customer, while staying cost-competitive. Our production strategy is to utilize automation and the most efficient methods of manufacturing and high-quality materials in all EBGL projects.

Real Estate and Investments

Our competitive strengths in real estate include a focus on acquisition opportunities that have underappreciated real estate value, which assets the Company anticipates placing into SRE. SRE expects to be largely self-funded over time by raising its own capital through commercial mortgages on its properties and other forms of external capital.

Our competitive strengths in investments include shareholder activism through the Lone Star Value brand name, which will be less confusing to investment targets and the investing public than pursuing investments through one of our operating companies. We also expect to make strategic acquisitions in the future. Investments and acquisitions will be made using our internally developed financially disciplined approach for acquisitions.

Strategy

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

- ***Organic growth from our core businesses.*** We believe that we operate in markets and geographies that will allow us to continue to grow our core businesses, allowing us to benefit from our scale and strengths. We plan to focus our efforts on markets in which we already have a presence in order to take advantage of personnel, infrastructure, and brand recognition we have in these areas.
- ***Introduction of new services.*** We plan to continue to focus on healthcare solutions related businesses that deliver necessary assets, services and logistics directly to the customer site. We believe that over time we can either purchase or develop new and complementary businesses and take advantage of our customer loyalty and distribution channels.
- ***Acquisition of complementary businesses.*** We plan to continue to look at complementary businesses that meet our internally developed financially disciplined approach for acquisitions to grow our company. We believe there are many potential targets in the range of $3 million to $10 million in annual revenues that can be acquired over time and integrated into our businesses. We will also look at larger, more transformational acquisitions if we believe the appropriate mix of value, risk and return is present for our shareholders. The timing of these potential acquisitions will always depend on market conditions, available capital, and the value for each transaction. In general, we want to be "value" buyers, and will not pursue any transaction unless we believe the post-transaction potential value is high for shareholders.

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

History of our Business

In January 2016 we acquired Project Rendezvous Holding Corporation ("PRHC"), the ultimate parent company of DMS Health Technologies, Inc. (collectively referred to hereinafter as "DMS Health Technologies" or "DMS Health"). DMS Health is a provider of mobile diagnostic imaging services and provides medical product sales and service. The acquisition resulted in two new reportable segments: Mobile Healthcare and Medical Device Sales and Services.

In February of 2018, we completed the sale of our customer contracts relating to our Medical Device Sales and Service ("MDSS") post-warranty service business to Philips. On October 31, 2018, we sold our Telerhythmics, LLC ("Telerhythmics") business to G Medical Innovations USA, Inc., for $1.95 million cash.

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

Digirad formed SRE in March 2019 in connection with establishing its Real Estate and Investments Division. In April 2019, as an initial transaction for the Real Estate and Investments Division under SRE, Digirad funded the initial purchase of three manufacturing facilities in Maine and leased those three properties.

On September 10, 2019 (the "ATRM Acquisition Date"), Digirad completed the ATRM Acquisition and thereby converted into a diversified holding company. As a result of the ATRM Acquisition, ATRM became a wholly owned subsidiary of Digirad and KBS, EdgeBuilder, Glenbrook and LSVM became wholly owned indirect subsidiaries of Digirad. As a result of internal restructuring, LSVM is now a direct wholly owned subsidiary of Digirad.

Business Segments

Prior to September 10, 2019, we were organized as four reportable segments: Diagnostic Services, Diagnostic Imaging, Mobile Healthcare, and Medical Device Sales and Service. On February 1, 2018, we sold our Medical Device Sales and Service ("MDSS") business. As of December 31, 2019, our business is organized into five reportable segments: Diagnostic Services, Mobile Healthcare, Diagnostic Imaging, Building and Construction, and Real Estate and Investments. See Note 16. *Segments*, within the notes to our accompanying consolidated financial statements for financial data relating to our segments. For discussion purposes, we categorized our Diagnostic Imaging, Diagnostic Services and Mobile Healthcare reportable segments as "Healthcare". For the last two fiscal years, Healthcare had the following relative contribution to consolidated revenues:

	Year ended December 31,	
	2019	**2018**
Healthcare Revenues:		
Diagnostic Services	41.8%	47.3%
Mobile Healthcare	36.1%	41.2%
Diagnostic Imaging	12.1%	11.5%
Total Healthcare revenues	90.0%	100.0%

Building and Construction

Building and construction revenue is summarized as follows:

	Year ended December 31,	
	2019	**2018**
Building and Construction	9.9%	—%
Total Building and Construction Revenue	9.9%	—%

Real Estate and Investments

Real estate and investments revenue is summarized as follows:

	Year ended December 31,	
	2019	**2018**
Real Estate and Investments	0.1%	—%
Total Real Estate and Investments	0.1%	—%

Diagnostic Services

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

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

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

Mobile Healthcare

Through Mobile Healthcare, we provide contract diagnostic imaging, including computerized tomography ("CT"), magnetic resonance imaging ("MRI"), positron emission tomography ("PET"), PET/CT, and nuclear medicine and healthcare expertise to hospitals, integrated delivery networks ("IDNs"), and federal institutions on a long-term contract basis, as well as provisional (short-term) services to institutions that are in transition. Rather than our customers owning the equipment directly and operating the related services, we provide this service when there is a cost, ease, and efficiency benefit.

Our Mobile Healthcare operations operate throughout the United States, with a heavier concentration in rural areas, particularly in the Upper Midwest region of the United States. We have a range of customer types, but our most typical customer is a small or regional hospital that does not have enough volume of activity to justify owning a piece of imaging equipment on a full-time basis. Our services typically offer the diagnostic imaging equipment, placed in a large patient friendly coach or tractor-trailer, coupled with either an owned or operator-owned tractor, that is then transported to each customer location. Our mobile routes are designed to provide for maximum utilization and efficiency by allowing our units to travel to the next customer location during non-working hours of a typical imaging clinic, meeting our technical staff at each location. Our customers commit to annual contracts ranging from service once every two weeks to up to two days of service per week, depending on modality type and their local demand for services.

Diagnostic Imaging

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

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

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

Building and Construction

ATRM through its wholly-owned subsidiaries KBS, Glenbrook and EdgeBuilder, services residential and commercial construction projects by manufacturing modular housing units, structural wall panels, permanent wood foundation systems, and other engineered wood products, and supplies general contractors with building materials. KBS is a Maine-based manufacturer that started business in 2001 as a manufacturer of modular homes. Our focus is to offer high quality products for both commercial and residential buildings with a focus on customization to suit the project requirements, provide value with our engineering and design expertise, and deliver product when required by the customer. Glenbrook is a retail supplier of lumber, windows, doors, cabinets, drywall, roofing, decking and other building materials and conducts its operations in Oakdale, Minnesota. EdgeBuilder is a manufacturer of structural wall panels, permanent wood foundation systems and other engineered wood products and conducts its operations in Prescott, Wisconsin. We provide high quality building materials and unmatched service and attention to detail to building professionals, as well as homeowners. In addition, we provide highly personalized service, knowledgeable salespeople and attention to detail that the larger, big-box chain home stores do not provide. We offer a superior products unique to each project's requirements, provide value with our engineering and design expertise that meet the customer's needs, while staying cost-competitive and on schedule. Our production strategy is to utilize automation and the most efficient methods of manufacturing and high-quality materials in all of its projects.

Real Estate and Investments

As part of the HoldCo Conversion, Digirad formed a real estate division under a newly formed subsidiary named Star Real Estate Holdings USA, Inc. ("SRE") for the purposes of holding significant real estate assets that Digirad acquires. As an initial transaction to create Digirad's real estate division under SRE and launch that aspect of the HoldCo Conversion, in April 2019, Digirad funded the initial purchase of three manufacturing facilities in Maine that manufacture modular buildings and leased those three properties. The funding of the asset acquisition was primarily through the revolver loan under our credit facility with Sterling. Digirad expects SRE to be substantially self-funded over time by raising its own capital in the form of commercial mortgages on the properties it owns or by raising other forms of external capital. Lone Star Value Management, LLC (LSVM), which was a wholly owned subsidiary of ATRM on the ATRM Acquisition Date, is a Connecticut based exempt reporting advisor that was acquired by the Company in the ATRM Acquisition. LSVM provides services that include investment advisory services and the servicing of pooled investment vehicles. The Company expects to use LSVM to make strategic investments in future potential acquisition targets for the Company.

Market Opportunity

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

Diagnostic imaging is the standard of care in diagnosis of diseases and disorders. We offer, through our businesses, the majority of these diagnostic imaging modalities. All of the diagnostic imaging modalities that we offer (both from provision of services and product sales) have been consistently utilized in clinical applications for many years, and are stable in their use and need. By offering a wide array of these modalities, we believe that we have strategically diversified our operations in possible changing trends of utilization of one diagnostic imaging modality from another.

In the building and construction business, KBS markets its modular homes products through a direct sales organization and through inside sales, outside sales, a network of independent dealers, builders, and contractors in the New England states (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont). KBS's direct sales organization is responsible for all 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 sales people also work with independent dealers, builders, and contractors to accurately configure and place orders for residential homes for their end customers. KBS's network of independent dealers and contractors do not work with it exclusively, although many have KBS model homes on display at their retail centers. KBS does not assign exclusive territories to its independent dealers and contractors, but they tend to sell in areas of New England where they will not be competing against another KBS dealer or contractor. EBGL markets its engineered structural wall panels and permanent wood foundation systems through direct sales people and a network of builders, contractors and developers in and around Minneapolis and St. Paul areas. EBGL's direct sales organization is responsible for both residential and commercial projects and it works with general contractors, developers and builders to provide bids and quotes for specific projects. Our marketing efforts include participation in industry trade shows, production of product literature, and sales support tools. These efforts are designed to generate sales leads for our independent builders and dealers, and direct salespeople.

Competition

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

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

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

Mobile Healthcare. The market for selling, servicing, and operating diagnostic imaging services, patient monitoring equipment, and imaging systems is highly competitive. In providing our Mobile Healthcare services, we compete against a few large national and regional providers. In addition to direct competition from other providers of services similar to those offered by us, we compete with freestanding imaging centers and healthcare providers that have their own diagnostic imaging systems, as well as with equipment manufacturers that sell imaging equipment directly to healthcare providers for permanent installation. Some of the direct competitors, which provide contract MRI and PET/CT services, have access to greater financial resources than we do. In addition, some of our customers are capable of providing the same services we provide to their patients directly, subject only to their decision to acquire a high-cost diagnostic imaging system, assume the financial and technology risk, and employ the necessary technologists, rather than obtain equipment and services from us. We may also experience greater competition in states that currently have certificate of need laws if such laws were repealed, thereby reducing barriers to entry and competition in those states. We also compete against other similar providers in quality of services, quality of imaging systems, relationships with healthcare providers, knowledge and service quality of technologists, price, availability, and reliability.

Building and Construction. The market for building and construction is highly competitive. KBS is a regional manufacturer of modular housing units with its primary market in the New England states. Several modular manufacturers are located in these New England states and in nearby Pennsylvania. Some competitors have manufacturing locations in Canada and ship their products to the United States. KBS's competitors include Apex Homes, Commodore Corporation, Skyline Champion Homes, Custom Building Systems, Durabuilt, Excel Homes, Huntington Homes, Icon Legacy Homes, Kent Homes (Canada), Maple Leaf Homes (Canada), Muncy Homes, New England Homes, New Era, Pennwest, Premier Builders (PA), Professional Builders Systems, RCM (Canada), Redmond Homes, Ritz-Craft, Simplex Homes, and Westchester Modular. EBGL is a regional manufacturer of engineered structural wall panels and permanent wood foundation systems, and also has a local retail business. EBGL's market is primarily the Upper Midwest states (Iowa, Minnesota, Missouri, North Dakota, South Dakota, and Wisconsin). EBGL's competitors include Precision Wall Systems, Component Manufacturing Company, JL Schwieters Construction, Arrow Building Center, and Marshall Truss Systems Incorporated. EBGL's professional building supply business competes on a local level against both small, local lumber yards, regional building supply companies and to a certain degree, the "big box" stores such as Home Depot, Lowe's, and Menard's.

Intellectual Property

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

Patents

We have developed a patent portfolio that covers our products, components, and processes. We have 16 non-expired U.S. patents. The patents cover, among other things, aspects of solid-state radiation detectors that make it possible for Digirad to provide mobile imaging services, and our scan technology that provides for lower patient doses and more specific cardiac images. Our patents expire between 2020 (U.S. Patent 6,630,735) and 2030 (U.S. Patent 8,362,438). While each of our patents applies to nuclear medicine, many also apply to the construction of area detectors for other types of medical and non-medical imagers and imaging methods.

Trademarks and Copyrights

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

Raw Materials

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

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

Building and Construction. KBS is a Maine-based manufacturer that started business in 2001 as a manufacturer of modular homes. The majority of underlying raw material for KBS are produced locally, with a small percentage coming from Canada. EdgeBuilder (EB) and Glenbrook (GL), referred to together as EBGL, maintain corporate offices in Oakdale, Minnesota. EdgeBuilder, manufactures wall panels, at its facility in Prescott, Wisconsin. Glenbrook, which is located in Oakdale, MN, is a retail supplier of lumber, windows, doors, cabinets, drywall, roofing, decking and other building materials. The underlying raw materials for EdgeBuilder and Glenbrook are dimensional lumber and structural panels (oriented strand board (OSB), plywood, and exterior gypsum sheathing). These resources have been and are expected to continue to produce high quality of wood panels to address global needs.

Manufacturing

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

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

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

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

Reimbursement

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

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

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

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

Sales

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

In our building and construction division, KBS's sales people also work with independent dealers, builders, and contractors to accurately configure and place orders for residential homes for their end customers. KBS's network of independent dealers and contractors do not work with it exclusively, although many have KBS model homes on display at their retail centers. KBS does not assign exclusive territories to its independent dealers and contractors, but they tend to sell in areas of New England where they will not be competing against another KBS dealer or contractor. EBGL markets its engineered structural wall panels and permanent wood foundation systems through direct sales people and a network of builders, contractors and developers in the Upper Midwest states. EBGL's direct sales organization is responsible for both residential and commercial projects and it works with general contractors, developers and builders to provide bids and quotes for specific projects.

Government Regulation

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

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

- *Anti-Kickback Laws.* The Medicare/Medicaid Patient Protection Act of 1987, as amended, which is commonly referred to as the Anti-Kickback Statute, prohibits us from knowingly and willingly offering, paying, soliciting, or receiving any form of remuneration in return for the referral of items or services, or to purchase, lease, order, or arrange for or recommend purchasing, leasing, or ordering any good, facility, service, or item, for which payment may be made under a federal healthcare program. Violation of the federal anti-kickback law is a felony, punishable by criminal fines and imprisonment, or both, and can result in civil penalties and exclusion from participation in healthcare programs such as Medicare and Medicaid. Many states have adopted similar statutes prohibiting payments intended to induce referrals of products or services paid by Medicaid or other nongovernmental third-party payors.

- *Physician Self-Referral Laws.* Federal regulations commonly referred to as the "Stark Law" prohibit physician referrals of Medicare or Medicaid patients to an entity for certain designated health services if the physician or an immediate family member has an indirect or direct financial relationship with the entity, unless a statutory exception applies. We believe that referrals made by our physician customers are eligible to qualify for the "in-office ancillary services" exception to the Stark Law, provided that the services are provided or supervised by the physician or a member of his or her "Group Practice," as that term is defined under the law, the services are performed in the same building in which the physician regularly practices medicine, and the services are billed by or for the supervising physician or Group Practice. Violations of the Stark Law may lead to the imposition of penalties and fines, the exclusion from participation in federal healthcare programs, and liability under the federal False Claims Act and its whistleblower provisions. Many states have adopted similar statutes prohibiting self-referral arrangements that cover all patients and not just Medicare and Medicaid patients.
- *HIPAA*. The Health Insurance Portability and Accountability Act of 1996, or HIPAA, prohibits schemes to defraud healthcare benefit programs and fraudulent conduct in connection with the delivery of, or payment for, healthcare benefits, items, or services. HIPAA also establishes standards governing electronic healthcare transactions and protecting the security and privacy of individually identifiable health information. Some states have also enacted privacy and security statutes or regulations that, in some cases, are more stringent than those issued under HIPAA.

  The American Recovery and Reinvestment Act of 2009, enacted February 17, 2009, made significant changes to HIPAA privacy and security regulations. Effective February 17, 2010, we are regulated directly under all of the HIPAA rules protecting the security of electronic individually identifiable health information and many of the rules governing the privacy of such information.
- *Medical Device Regulation.* The FDA classifies medical devices, such as our cameras, into one of three classes, depending on the degree of risk associated with the device and the extent of control needed to ensure safety and effectiveness. Devices deemed to pose lower risk are placed in either class I or II, which generally requires the manufacturer to submit to the FDA a pre-market notification requesting permission for commercial distribution. This process is known as 510(k) clearance. Devices deemed to pose the greatest risk, such as life-sustaining, life-supporting, or implantable devices, are placed in Class III, requiring an approved Premarket Approval Application ("PMA"). Our cameras are Class II medical devices that have been cleared for marketing by the FDA. We are also subject to post-market regulatory requirements relating to our manufacturing process, marketing and sales activities, product performance, and medical device reports should there be deaths and serious injuries associated with our products.
- *Pharmaceutical Regulation.* Federal and state agencies, including the FDA and state pharmacy boards, regulate the radiopharmaceuticals used in our Diagnostic Services business.
- *Radioactive Materials Laws.* We must maintain licensure under, and comply with, federal and state radioactive materials laws, or RAM laws. RAM laws require, among other things, that radioactive materials are used by, or that their use be supervised by, individuals with specified training, expertise, and credentials and include specific provisions applicable to the medical use of radioactive materials.
- *Environmental Matters.* The facilities we operate or manage generate hazardous and medical waste subject to federal and state requirements regarding handling and disposal. We believe that the facilities that we operate and manage are currently in compliance in all material respects with applicable federal, state and local statutes and ordinances regulating the handling and disposal of such materials. We do not believe that we will be required to expend any material additional amounts in order to remain in compliance with these laws and regulations or that compliance will materially affect our capital expenditures, earnings or competitive position.

Employees

As of December 31, 2019, we had a total of 618 full time employees in all our divisions, of which 359 were employed in clinical-related positions, 84 in manufacturing, 86 in operational roles, 65 in general and administrative functions, and 24 in marketing and sales. All positions are in the United States. We also utilize varying amounts of temporary workers as necessary to fulfill customer requirements. We have not experienced any work stoppages and consider our employee relations to be good.

Available Information

We file electronically with the Securities and Exchange Commission (the "SEC"), our annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 ("Exchange Act"). The public may read and copy any materials filed by us with the SEC at the SEC's Public Reference Room at 100 F Street, NW, Washington, D.C. 20549. The public may obtain information on the operation of the SEC's Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website (www.sec.gov), which contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

The Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports are available free of charge on our website (www.digirad.com) as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. Such reports will remain available on our website for at least 12 months and are also available free of charge by written request or by contacting the Investor Relations Department at 858-726-1600.

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

ITEM 1A. RISK FACTORS

Risks Related to Our Business and Industry

Our HoldCo Conversion and related acquisitions or investments could involve unknown risks that could harm our business and adversely affect our financial condition.

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

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

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

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

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

Part of our business strategy is to acquire businesses that we believe can complement or expand our current business activities, both financially and strategically. On September 10, 2019, Digirad acquired ATRM and its subsidiaries, including KBS, EdgeBuilder and Glenbrook with these synergistic benefits in mind. Previously, Digirad acquired PRHC and its subsidiaries, (including DMS Heath) on January 1, 2016; MD Office on March 5, 2015; and Telerhythmics on March 13, 2014, which Digirad subsequently sold on October 31, 2018. Acquisitions involve many complexities, including, but not limited to, risks associated with the acquired business' past activities, loss of customers, regulatory changes that are not anticipated, difficulties in integrating personnel and human resource programs, integrating ERP systems and other infrastructures, general underperformance of the business under Digirad control versus the prior owners, unanticipated expenses and liabilities, and the impact on its internal controls of compliance with the regulatory requirements under the Sarbanes-Oxley Act of 2002. There is no guarantee that its acquisitions will increase the profitability and cash flow of Digirad, and its efforts could cause unforeseen complexities and additional cash outflows, including financial losses. As a result, the realization of anticipated synergies or benefits from acquisitions may be delayed or substantially reduced, and could potentially result in the impairment of its investment in these businesses.

There can be no assurances that we will be successful as a diversified holding company.

Part of Digirad's strategy is to become a diversified holding company through the acquisition of businesses that, Digirad believes, will realize a material benefit from being part of a larger holding company structure, both financially and strategically. There can be no assurances that Digirad will find suitable acquisition targets that will enable Digirad to successfully realize its conversion into a diversified holding company, and even if such targets are identified, there can be no assurances that Digirad can negotiate and complete such acquisitions on attractive terms.

If Digirad is unable to make successful acquisitions, its ability to grow its business could be adversely affected and its conversion to a diversified holding company structure may not succeeds. If Digirad succeed in making suitable acquisitions, Digirad may not be able to obtain the expected profitability or other benefits in the short or long term from such acquisitions.

Acquisitions, including the ATRM Acquisition, involve many complexities, including, but not limited to, risks associated with the acquired business' past activities, loss of customers, regulatory changes that are not anticipated, difficulties in integrating personnel and human resource programs, integrating ERP systems and other infrastructures under Company control, unanticipated expenses and liabilities, and the impact on its internal controls of compliance with the regulatory requirements under the Sarbanes-Oxley Act of 2002. There is no guarantee that its acquisitions will increase the profitability and cash flow of Digirad, and its efforts could cause unforeseen complexities and additional cash outflows, including financial losses. As a result, the realization of anticipated benefits from acquisitions may be delayed or substantially reduced. In addition, its leadership team's attention may also be diverted by any historical or potential acquisitions.

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

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

- general liability, property and casualty losses, some of which may be uninsured;
- the inability to purchase or sell our assets rapidly to respond to changing economic conditions, due to the illiquid nature of real estate and the real estate market;
- leases which are not renewed or are renewed at lower rental amounts at expiration;
- the default by a tenant or guarantor under any lease;
- costs relating to maintenance and repair of our facilities and the need to make expenditures due to changes in governmental regulations, including the Americans with Disabilities Act;
- environmental hazards created by prior owners or occupants, existing tenants, mortgagors or other persons for which we may be liable;
- acts of God affecting our properties; and
- acts of terrorism affecting our properties.

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

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

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

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

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

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

Manufacturing and providing service for our nuclear imaging cameras is highly dependent upon the availability of certain suppliers, thereby making us vulnerable to supply problems that could harm our business.

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

Our Diagnostic Services and portions of our Mobile Healthcare operations are highly dependent upon the availability of certain radiopharmaceuticals, thereby making us vulnerable to supply problems and price fluctuations that could harm our business.

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

We compete against businesses that have greater resources and different competitive strengths.

The market for mobile diagnostic services and diagnostic imaging systems is limited and has experienced some declines in the past. Some of our competitors have greater resources and a more diverse product offering than we do. Some of our competitors also enjoy significant advantages over us, including greater brand recognition, greater financial and technical resources, established relationships with healthcare professionals, larger distribution networks, and greater resources for product development and capital expenditures, as well as more extensive marketing and sales resources. If we are unable to expand our current market share, our revenues and related financial condition could decline.

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

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

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

We are directly, or indirectly through our customers, subject to extensive regulation by both the federal government and the states in which we conduct our business, including: the federal Medicare and Medicaid anti-kickback laws and other Medicare laws, regulations, rules, manual provisions, and policies that prescribe requirements for coverage and payment for services performed by us and our physician customers; the federal False Claims statutes; the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, as amended in 2009 under the HITECH Act that places direct legal obligations and higher liability on us with respect to the security and handling of personal health information; the Stark Law; the federal Food, Drug and Cosmetic Act; federal and state radioactive materials laws; state food and drug and pharmacy laws and regulations; state laws that prohibit the practice of medicine by non-physicians and fee-splitting arrangements between physicians and non-physicians; state scope-of-practice laws; and federal rules prohibiting the mark-up of diagnostic tests to Medicare under certain circumstances. If our customers are unable or unwilling to comply with these statutes, regulations, rules, and policies, rates of our services and products could decline and our business could be harmed. Additionally, new government mandates will require us to provide a certain baseline of health benefits and premium contribution for our employees and their families or pay governmental penalties. Some of these costs are not tax deductible. We have opted to provide this coverage to our employee base in order to maintain retention of qualified medical technicians and other professionals rather than plan to pay penalties to the government. Either option will result in additional costs to us and could negatively impact our cash reserves.

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

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

Healthcare policy changes could have a material adverse effect on our business.

In response to perceived increases in healthcare costs in recent years, there have been and continue to be proposals by the federal government, state governments, regulators, and third-party payers to control these costs and, more generally, to reform the U.S. healthcare system. Certain of these proposals could limit the prices we are able to charge for our products or the amounts of reimbursement available for our products, and could limit the acceptance and availability of our products. The adoption of some or all of these proposals could have a material adverse effect on our financial position and results of operations.

Any intrusions or attacks on our information technology infrastructure could impact our ability to conduct operations and could subject us to fines, penalties, and lawsuits related to healthcare privacy laws.

The operation of our business includes use of complex information technology infrastructures, access to the information technology networks of our customers, as well as the collection of storing of patient information that is subject to HIPAA. In recent years, attacks on corporate information technology infrastructures have become more common and more sophisticated. Attacks can range from attempts that are routinely blocked by security and related infrastructure, to intrusions that disrupt activity temporarily, to extensive intrusions that severely impact or disable a network, including ransomware that holds a network hostage until the impacted company pays a fee to the attacker. Further, attacks can specifically impact patient information stored on such networks, requiring a widespread notice to the affected population, which can be very costly. Any successful attack on our network could severely impact our ability to conduct operations and could result in lost customers. Though we carry customary insurance for notification events in the event of a patient information breach under HIPAA, our coverage may not be sufficient to cover every situation, and any notification could severely impact our customer confidence and operations.

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

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

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

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

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

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

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

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

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

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

We generally sell our products and services in industries that are characterized by rapid technological changes, frequent new product introductions and changing industry standards. If we do not develop new products and services and product enhancements based on technological innovation on a timely basis, our products and services may become obsolete over time and our revenues, cash flow, profitability and competitive position may suffer. Our success will depend on several factors, including our ability to:

- correctly identify customer needs and preferences and predict future needs and preferences;
- allocate our research and development funding to products and services with higher growth prospects;
- anticipate and respond to our competitors' development of new products, services, and technological innovations;
- innovate and develop new technologies and applications, and acquire or obtain rights to third-party technologies that may have valuable applications in the markets we serve;
- recruit, train, retain, motivate, and integrate key personnel, including our research and development, manufacturing, and sales and marketing personnel; and
- successfully commercialize new technologies in a timely manner, price them competitively and manufacture and deliver sufficient volumes of new products of appropriate quality on time.

Even if we successfully innovate and develop new products, services and product enhancements, we may incur substantial costs in doing so, and our profitability may suffer.

If we do not successfully manage the development and launch of new products and services, our financial results could be adversely affected.

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

Undetected errors or defects in our products could harm our reputation or decrease market acceptance of our products.

Our products may contain undetected errors or defects when first introduced or as new versions or new products are released. Disruptions affecting the introduction or release of, or other performance problems with, our products may damage our customers' businesses and could harm their and our reputation. If that occurs, we may incur significant costs, the attention of our key personnel could be diverted, or other significant customer relations problems may arise. We may also be subject to warranty and liability claims for damages related to errors or defects in our products. In addition, if we do not meet industry or quality standards, if applicable, our products may be subject to recall. A material liability claim, recall, or other occurrence that harms our reputation or decreases market acceptance of our products could harm our business and operating results.

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

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

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

- we may not have been the first to make the inventions claimed or disclosed in our issued patents;
- we may not have been the first to file patent applications for these inventions. To determine the priority of these inventions, we may have to participate in interference proceedings or derivation proceedings declared by the U.S. Patent and Trademark Office (“USPTO”), which could result in substantial cost to us, and could possibly result in a loss or narrowing of patent rights. No assurance can be given that our granted patents will have priority over any other patent or patent application involved in such a proceeding, or will be held valid as an outcome of the proceeding;
- other parties may independently develop similar or alternative products and technologies or duplicate any of our products and technologies, which can potentially impact our market share, revenue, and goodwill, regardless of whether intellectual property rights are successfully enforced against these other parties;
- it is possible that our issued patents may not provide intellectual property protection of commercially viable products or product features, may not provide us with any competitive advantages, or may be challenged and invalidated by third parties, patent offices, and/or the courts;
- we may be unaware of or unfamiliar with prior art and/or interpretations of prior art that could potentially impact the validity or scope of our patents or patent applications that we may to file;
- we take efforts and enter into agreements with employees, consultants, collaborators, and advisors to confirm ownership and chain of title in intellectual property rights. However, an inventorship or ownership dispute could arise that may permit one or more third parties to practice or enforce our intellectual property rights, including possible efforts to enforce rights against us;
- we may elect not to maintain or pursue intellectual property rights that, at some point in time, may be considered relevant to or enforceable against a competitor;
- we may not develop additional proprietary products and technologies that are patentable, or we may develop additional proprietary products and technologies that are not patentable;
- the patents or other intellectual property rights of others may have an adverse effect on our business; and
- we apply for patents relating to our products and technologies and uses thereof, as we deem appropriate. However, we or our representatives or their agents may fail to apply for patents on important products and technologies in a timely fashion or at all, or we or our representatives or their agents may fail to apply for patents in potentially relevant jurisdictions.

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

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

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

In addition, competitors could purchase our products and attempt to replicate and/or improve some or all of the competitive advantages we derive from our development efforts, willfully infringe our intellectual property rights, design their products around our protected technology or develop their own competitive technologies that fall outside of our intellectual property rights. If our intellectual property does not adequately protect our market share against competitors' products and methods, our competitive position could be adversely affected, as could our business.

We may need to enter into license agreements in the future.

We may need or may choose to obtain licenses and/or acquire intellectual property rights from third parties to advance our research or commercialization of our current or future products, and we cannot provide any assurances that third-party patents do not exist that might be enforced against our current or future products in the absence of such a license. We may fail to obtain any of these licenses or intellectual property rights on commercially reasonable terms. Even if we are able to obtain a license, it may be non-exclusive, thereby giving our competitors access to the same technologies licensed to us. In that event, we may be required to expend significant time and resources to develop or license replacement technology. If we are unable to do so, we may be unable to develop or commercialize the affected products, which could materially harm our business and the third parties owning such intellectual property rights could seek either an injunction prohibiting our sales, or, with respect to our sales, an obligation on our part to pay royalties and/or other forms of compensation.

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

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

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

Because patent applications can take many years to issue, there may be pending applications, some of which are unknown to us, that may result in issued patents upon which our products or proprietary technologies may infringe. Moreover, we may fail to identify issued patents of relevance or incorrectly conclude that an issued patent is invalid or not infringed by our technology or any of our products. If a third-party claims that we infringe upon a third-party's intellectual property rights, we may have to:

- seek to obtain licenses that may not be available on commercially reasonable terms, if at all;
- abandon any product alleged or held to infringe, or redesign our products or processes to avoid potential assertion of infringement;
- pay substantial damages including, in exceptional cases, treble damages and attorneys' fees, which we may have to pay if a court decides that the product or proprietary technology at issue infringes upon or violates the third-party's rights;
- pay substantial royalties or fees or grant cross-licenses to our technology; or

- defend litigation or administrative proceedings that may be costly whether we win or lose, and which could result in a substantial diversion of our financial and management resources.

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

Any patents we have obtained or do obtain may be challenged by re-examination or otherwise invalidated or eventually found unenforceable. Both the patent application process and the process of managing patent disputes can be time consuming and expensive. If we were to initiate legal proceedings against a third party to enforce a patent related to one of our products or services, the defendant in such litigation could counterclaim that our patent is invalid and/or unenforceable. In patent litigation in the U.S., defendant counterclaims alleging invalidity and/or unenforceability are commonplace, as are validity challenges by the defendant against the subject patent or other patents before the USPTO. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including lack of novelty, obviousness or non-enablement, failure to meet the written description requirement, indefiniteness, and/or failure to claim patent eligible subject matter. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent intentionally withheld material information from the USPTO, or made a misleading statement, during prosecution. Additional grounds for an unenforceability assertion include an allegation of misuse or anticompetitive use of patent rights, and an allegation of incorrect inventorship with deceptive intent. Third parties may also raise similar claims before the USPTO even outside the context of litigation. The outcome is unpredictable following legal assertions of invalidity and unenforceability. With respect to the validity question, for example, we cannot be certain that no invalidating prior art existed of which we and the patent examiner were unaware during prosecution. These assertions may also be based on information known to us or the Patent Office. If a defendant or third party were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the claims of the challenged patent. Such a loss of patent protection would or could have a material adverse impact on our business.

We may be involved in lawsuits to protect or enforce our patents, which could be expensive, time-consuming and unsuccessful.

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

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

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

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

Our mobile healthcare fleet is highly utilized; any downtime in our assets could have a material impact on our revenues and costs.

Our Mobile Healthcare business unit utilizes a fleet of highly sophisticated imaging and related transportation assets that require nearly 100% uptime to service our customer needs. Though we utilize an array of highly competent service providers to support our imaging fleet, imaging and related transportation machines can experience unproductive downtime. Any downtime of our imaging fleet could have near term impacts on our revenues and underlying costs.

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

A significant portion of our assets consists of goodwill and other long-lived assets, the carrying value of which may be reduced if we determine that those assets are impaired. At December 31, 2019, goodwill and net intangible assets represented \$32.9 million, or 36.3% of our total assets. In addition, net property, plant and equipment assets totaled \$22.1 million, or 24.4% of our total assets. If actual results differ from the assumptions and estimates used in our goodwill and long-lived asset valuation calculations, we could incur impairment charges, which could negatively impact our earnings.

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

During the year ended December 31, 2018, the Company derecognized $1.1 million of goodwill related to the termination of the Philips Agreements with DMS Health effective December 31, 2017. Additionally, during the same period, the Company recorded a $0.5 million and $0.2 million goodwill impairment loss, respectively, related to Telerhythmics LLC (Telerhythmics), the Company's cardiac event monitoring services business that was acquired on March 13, 2014. On October 31, 2018, the Company entered into a membership interest purchase agreement (the "Telerhythmics Purchase Agreement") with G Medical Innovations USA, Inc. ("G Medical"), pursuant to which we sold all the outstanding membership interests in Telerhythmics to G Medical. On September 10, 2019, Digirad completed its acquisition of ATRM pursuant to the ATRM Merger Agreement. The $8.2 million goodwill recognized is attributable primarily to expected synergies and the assembled workforce of ATRM. As of December 31, 2019, there was a subsequent measurement of goodwill that resulted in an adjustment of $3.0 thousand to the recognized amounts of goodwill resulting from the acquisition of ATRM.

No other significant impairment losses on long-lived assets were recognized during the years ended December 31, 2019 and 2018. See Note 2. *Basis of Presentation,* Note 5. *Merger* and Note 8. *Goodwill*, within the notes to our accompanying consolidated financial statements for further discussion regarding goodwill and long-lived assets.

The Company is dependent on its senior management team and other key employees.

The Company's success depends, to a significant extent, on its senior management team and other key employees and the ability of other personnel or new hires to effectively replace key employees who may retire or resign. Failure to retain its leadership team and attract and retain new leadership and other important personnel could lead to ineffective management and operations, which could materially and adversely affect its business and operating results.

ATRM's operating results could be adversely affected by changes in the cost and availability of raw materials.

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

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

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

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

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

Certain actions taken in connection with reducing operating costs may have a negative impact on ATRM's business.

In the event of a housing downturn and a decline in its revenues, ATRM may implement cost reduction actions such as temporary factory shutdowns, workforce reductions, pay freezes and reductions, and reductions in other expenditures. In doing so, ATRM will attempt to maintain the necessary infrastructures to allow ATRM to take full advantage of subsequent improvements in market conditions. However, there can be no assurance that reductions ATRM may make in personnel and expenditure levels and the loss of the capabilities of personnel ATRM has terminated or may terminate will not inhibit ATRM in the timely ramp up of production in response to improving market conditions.

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

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

ATRM's costs of doing business could increase as a result of changes in, expanded enforcement of, or adoption of new federal, state or local laws and regulations.

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

Risks Related to our Indebtedness

On March 29, 2019, Digirad and certain of the Healthcare Subsidiaries entered into a Loan and Security Agreement with Sterling National Bank (the "SNB Loan Agreement"). The SNB Loan Agreement is a five-year revolving credit facility (maturing in March 2024), which, as amended, has a maximum credit amount of $20 million (the "SNB Credit Facility"). On January 31, 2020, Digirad and certain of its Investments Subsidiaries entered into a Loan and Security Agreement with Gerber (as amended, the "Star Loan Agreement"), which provides for a credit facility with borrowing availability of up to $2.5 million and matures on January 1, 2025, unless terminated in accordance with the terms therein (the "Star Loan"). On January 31, 2020, Digirad and certain of its Construction Subsidiaries entered into a Loan and Security Agreement with Gerber (the "EBGL Loan Agreement"), which provides for a credit facility with borrowing availability of up to $3.0 million and matures on January 1, 2022, unless extended or terminated in accordance with the terms therein (the "EBGL Loan"). On January 31, 2020, Glenbrook and EdgeBuilder entered into an Extension and Modification Agreement (the "Modification Agreement") with Premier Bank ("Premier") that modified the terms of the loan made by Premier to Glenbrook and EdgeBuilder pursuant to that certain Revolving Credit Loan Agreement, dated June 30, 2017, by and among Glenbrook, EdgeBuilder and Premier (as amended, the "Premier Loan Agreement"). Pursuant to the Modification Agreement, the amount of indebtedness evidenced by the promissory note issued under the Premier Loan Agreement was reduced to $1.0 million. Our credit facility under the Loan and Security Agreement, dated February 23, 2016, by and among KBS, ATRM, the Company and Gerber (as amended, the "KBS Loan Agreement") provides for a revolving credit facility of up to $4.0 million that matures on February 22, 2021, subject to automatic extension for an additional year unless terminated. The SNB Loan Agreement, Star Loan Agreement, EBGL Loan Agreement, the Premier Loan Agreement and the KBS Loan Agreement are collectively referred to as the "Company Loan Agreements." See Note 15, *Related Party Transactions*, within the notes to our accompanying consolidated financial statements for information regarding certain ATRM promissory notes that are outstanding.

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

Our indebtedness could have important consequences for us and our stockholders. For example, the SNB Loan Agreement requires a balloon payment at the termination of the facility in March 2024 and the Star Loan Agreement has a balloon payment in January 2021, which payments may require us to dedicate a substantial portion of our cash flow from operations to this future payment if we feel we cannot be successful in our ability to refinance in the future, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, and acquisitions, and for other general corporate purposes. In addition, our indebtedness could:

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

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

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

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

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

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

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

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

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

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

As of December 31, 2019 and 2018, KBS was not in compliance with the financial covenants under the KBS Loan Agreement requiring no net annual post-tax loss for KBS or the minimum leverage ratio covenant as of these test dates. In April 2019, June 2019 and February 2020, ATRM obtained a waiver from Gerber Finance for these events. In addition, ATRM and Gerber Finance agreed to eliminate the minimum leverage ratio covenant for years after 2018.

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

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

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

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

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

Risks Related to our Common Stock and our Company Preferred Stock

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Market interest rates may materially and adversely affect the value of the Company Preferred Stock.

One of the factors that will influence the price of the Company Preferred Stock is the dividend yield on the Company Preferred Stock (as a percentage of the market price of the Company Preferred Stock) relative to market interest rates. Continued increase in market interest rates, which are currently at low levels relative to historical rates, may lead prospective purchasers of the Company Preferred Stock to expect a higher dividend yield (and higher interest rates would likely increase the Company's borrowing costs and potentially decrease funds available for dividend payments). Thus, higher market interest rates could cause the market price of the Company Preferred Stock to materially decrease.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive offices are located in Suwanee, Georgia, where we lease approximately 8,500 square feet of office space. We lease a 21,300 square foot facility in Poway, California that houses our Diagnostic Imaging operations. Our Diagnostic Services segment leases approximately 29 small hub locations in the various states in which we operate, which primarily house our fleet of cameras and vans. In February 2019, we entered into a lease for 1,344 square feet of office space in Old Greenwich, Connecticut. In November 2019, we entered into a lease for 3,065 square feet of Office space in Fargo, North Dakota. In addition to our leased properties, we own a 16,769 square foot facility in Sioux Falls, South Dakota, which is part of our DMS Health businesses. In April 2019, our Real Estate and Investments division (through SRE) acquired three manufacturing facilities in Maine, which it then leased to KBS, who has in turn sublet one of the facilities to a commercial tenant.

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

ITEM 3. LEGAL PROCEEDINGS

See Note 10. *Commitments and Contingencies*, within the notes to our accompanying consolidated financial statements for a summary of legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information

Our common stock is traded on the NASDAQ Global Market under the symbol "DRAD".

As of February 27, 2020, there were approximately 169 holders of record of our common stock. We believe that the number of beneficial owners is substantially greater than the number of record holders because a large portion of our common stock is held of record through brokerage firms in "street name."

Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased During the Period	Average Price Paid Per Share for Period Presented	Total Cumulative Number of Shares Purchased as Part of Publicly Announced Plan (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plan (2)
October 1, 2019 – October 31, 2019	—	—	258,849	200,000
November 1, 2019 – November 30, 2019	—	—	258,849	200,000
December 1, 2019 – December 31, 2019	—	—	258,849	200,000
Total	—	—	258,849	200,000

(1) On February 27, 2013, our board of directors modified our stock buyback program originally adopted in February 2009 (the "2009 Buyback Program") to increase repurchases to an aggregate of $7.0 million, and subsequently, on March 13, 2013, increased the stock buyback program again for repurchases of up to an aggregate of $12.0 million. On October 31, 2018, our board of directors terminated the 2009 Buyback Program. The timing of stock repurchases and the number of shares of common stock repurchased under the 2009 Buyback Program were in compliance with Rule 10b-18 under the Exchange Act. The timing and extent of the repurchase depended upon market conditions, applicable legal and contractual requirements, and other factors.

Immediately prior to termination of the 2009 Buyback Program on October 31, 2018, there were 258,849 cumulative shares purchased as part of the 2009 Buyback Program.

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

(2) Immediately prior to termination of the 2009 Buyback Program on October 31, 2018, a maximum dollar value of $6.3 million of shares remained available for repurchase under the 2009 Buyback Program. No shares were available for repurchase under the 2009 Buyback Program following its termination on October 31, 2018.

As of December 31, 2019, there were 0 cumulative shares purchased as part of the 2018 Buyback Program and 200,000 shares that may yet be purchased under the 2018 Buyback Program.

Securities Authorized for Issuance Under Equity Compensation Plans

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

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

Not applicable.

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

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

Overview

On September 10, 2018, we announced that our board of directors approved the conversion of Digirad into a diversified holding company (the HoldCo Conversion) and the potential acquisition of ATRM Holdings, Inc. (ATRM) as an initial "kick-off" transaction. On September 10, 2019, Digirad completed the ATRM Acquisition and thereby converted into a diversified holding company. Digirad, as a diversified holding company, has three divisions:

- Healthcare (Digirad Health): designs, manufactures, and distributes diagnostic medical imaging products. Digirad Health operates in three businesses: Diagnostic Services, Mobile Healthcare, and Diagnostic Imaging. The Diagnostic Services business offers imaging and monitoring services to healthcare providers as an alternative to purchasing the equipment or outsourcing the job. The Mobile Healthcare business provides contract diagnostic imaging, including computerized tomography ("CT"), magnetic resonance imaging ("MRI"), positron emission tomography ("PET"), PET/CT, and nuclear medicine and healthcare expertise through a convenient mobile service. The Diagnostic Imaging business develops, sells, and maintains solid-state gamma cameras.
- Building and Construction (ATRM): services residential and commercial construction projects by manufacturing modular housing units, structural wall panels, permanent wood foundation systems, and other engineered wood products, and supplies general contractors with building materials.
- Real Estate and Investments: manages real estate assets (currently three manufacturing plants in Maine) and investments.

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

ATRM operates in two businesses: (i) modular building manufacturing and (ii) structural wall panel and wood foundation manufacturing, including building supply retail operations. The modular building manufacturing business is operated by KBS, the structural wall panel and wood foundation manufacturing segment is operated by EdgeBuilder, and the retail building supplies are sold through Glenbrook. KBS, EdgeBuilder and Glenbrook are wholly-owned subsidiaries of ATRM.

Real Estate & Investments generates revenue from the lease of commercial properties and equipment through Star Real Estate Holdings USA, Inc. (SRE), and provides services that include investment advisory services and the servicing of pooled investment vehicles through Lone Star Value Management, LLC (LSVM), a Connecticut based exempt reporting advisor. LSVM, which was a wholly owned subsidiary of ATRM on the ATRM Acquisition Date, was acquired by the Company in the ATRM Acquisition.

In February of 2018, we completed the sale of our customer contracts relating to our Medical Device Sales and Service ("MDSS") post-warranty service business to Philips. On October 31, 2018, we sold our Telerhythmics business to G Medical Innovations USA, Inc., for $1.95 million cash.

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

On September 10, 2019 (the ATRM Acquisition Date), Digirad completed its acquisition of ATRM pursuant to the results of ATRM Merger Agreement under which Merger Sub (a wholly owned subsidiary of Digirad) merged with and into ATRM, with ATRM surviving as a wholly owned subsidiary of Digirad. As a result of the ATRM Merger, ATRM's operations have been included in our consolidated financial statements since the ATRM Acquisition Date. Digirad's aim with the ATRM Acquisition is to continue to grow its business into an integrated healthcare services company while simultaneously converting into a diversified holding company through the acquisition of businesses that meet Digirad's internally developed financially disciplined approach for acquisitions.

As part of the HoldCo Conversion, Digirad formed a real estate and investments division under a newly formed subsidiary named Star Real Estate Holdings USA, Inc. (SRE) for the purposes of holding significant real estate assets that Digirad acquires. In April 2019, as an initial transaction to create Digirad's real estate division under SRE and launch that aspect of the HoldCo Conversion, Digirad funded the initial purchase of three manufacturing facilities in Maine that manufacture modular buildings and leased those three properties. The funding of the assets acquisition was primarily through the revolver loan under our SNB Credit Facility. Digirad expects SRE to be substantially self-funded over time by raising its own capital in the form of commercial mortgages on the properties it owns or by raising other forms of external capital.

Strategy

Our main strategic focus is to continue to grow our business into an integrated healthcare services company while simultaneously converting into a diversified holding company through the acquisition of businesses that meet our internally developed financially disciplined approach for acquisitions. Within the healthcare industry, we believe that there are many opportunities to provide outsourced and mobile healthcare services and solutions in the current healthcare environment. We believe that our strategy within the healthcare industry will be accomplished by:

- Focused organic growth from our core businesses;
- Introducing new service offerings through our existing businesses or through acquisitions; and
- Acquiring complementary companies.

Discontinued Operations

On February 1, 2018, the Company completed the sale of its customer contracts relating to our MDSS post-warranty service business to Philips pursuant to an Asset Purchase Agreement, dated as of December 22, 2017 for $8.0 million. The Company deemed the disposition of our MDSS reportable segment in the first quarter of 2018 to represent a strategic shift that will have a major effect on our operations and financial results. In accordance with the provisions of FASB authoritative guidance on the presentation of financial statements we have classified the results of our MDSS segment as discontinued operations in our consolidated statement of operations for all periods presented. Additionally, the related assets and liabilities associated with the discontinued operations were reclassified as held for sale in our consolidated balance sheet.

Business Segments

As of December 31, 2019, we operate the Company in five reportable segments:

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

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

Mobile Healthcare. Through Mobile Healthcare, we provide contract diagnostic imaging, including computerized tomography ("CT"), magnetic resonance imaging ("MRI"), positron emission tomography ("PET"), PET/CT, and nuclear medicine and healthcare expertise to hospitals, integrated delivery networks ("IDNs"), and federal institutions on a long-term contract basis, as well as provisional (short-term) services to institutions that are in transition. These services are provided primarily when there is a cost, ease, and efficiency component of providing the services directly rather than owning and operating the related services and equipment directly by our customers.

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

Building and Construction. ATRM through its wholly-owned subsidiaries KBS, Glenbrook and EdgeBuilder, services residential and commercial construction projects by manufacturing modular housing units, structural wall panels, permanent wood foundation systems, and other engineered wood products, and supplies general contractors with building materials. KBS is a Maine-based manufacturer that started business in 2001 as a manufacturer of modular homes. The KBS competitive strategy is to offer top quality products for both commercial and residential buildings with a focus on customization to suit the project requirements, provide value with our engineering and design expertise, and meet the timeframe needed by the customer. Glenbrook is a retail supplier of lumber, windows, doors, cabinets, drywall, roofing, decking and other building materials and conducts its operations in Oakdale, Minnesota. EdgeBuilder is a manufacturer of structural wall panels, permanent wood foundation systems and other engineered wood products and conducts its operations in Prescott, Wisconsin. The Glenbrook competitive strategy is to provide high quality building materials and unmatched service and attention to detail to building professionals, as well as homeowners. In addition, Glenbrook provides highly personalized service, knowledgeable salespeople and attention to detail that the larger, big-box chain home stores do not provide. The EdgeBuilder competitive strategy is to offer a superior product unique to the project's requirements, provide value with our engineering and design expertise, and meet the timeframe needed by the customer, while staying cost-competitive. EdgeBuilder's production strategy is to utilize automation and the most efficient methods of manufacturing and high-quality materials in all of its projects.

Real Estate and Investments. As part of the HoldCo Conversion, Digirad formed a real estate division under a newly formed subsidiary named Star Real Estate Holdings USA, Inc. ("SRE") for the purposes of holding significant real estate assets that Digirad acquires. As an initial transaction to create Digirad's real estate division under SRE and launch that aspect of the HoldCo Conversion, in April 2019, Digirad funded the initial purchase of three manufacturing facilities in Maine that manufacture modular buildings and leased those three properties. The funding of the assets acquisition was primarily through the revolver loan under our SNB Credit Facility. Lone Star Value Management, LLC (LSVM), which was a wholly owned subsidiary of ATRM on the ATRM Acquisition Date, is a Connecticut based exempt reporting advisor that was acquired by the Company in the ATRM Acquisition. LSVM provides services that include investment advisory services and the servicing of pooled investment vehicles. Digirad expects SRE to be substantially self-funded over time and has recently closed a commercial mortgage financing with Gerber, whereby monies raised will be injected into KBS.

Our Market

The target market for our products and services is comprised of cardiologists, internal medicine physicians, family practice physicians, hospitals, IDNs, and federal institutions in the United States that perform or could perform a diagnostic imaging procedure, have a need for cardiac event monitoring, or have interest in purchasing a diagnostic imaging product. During the year ended December 31, 2019, through Diagnostic Services and Mobile Healthcare, we provided imaging services to 992 physicians, physician groups, hospitals, IDNs and federal institutions. Our Diagnostic Services and Mobile Healthcare businesses currently operate in approximately 40 states. In the past, our market has been negatively affected by lower reimbursements from the Center for Medicare and Medicaid Services ("CMS") and third-party insurance providers for the codes under which our customers bill for our services, although reimbursements have stabilized in the last several years. We have addressed, and will continue to address, these market pressures by modifying our Diagnostic Services and Mobile Healthcare business models, and by assisting our healthcare customers in complying with new regulations and requirements.

The target market for our building and construction division includes residential home builders, general contractors, owners/developers of commercial buildings, and individual retail customers. Our focus is to offer high quality products for both commercial and residential buildings with a focus on customization to suit the project requirements, provide value with our engineering and design expertise, and deliver product when required by the customer.

Trends and Drivers

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

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

Mobile Healthcare. The market for selling, servicing, and operating diagnostic imaging services, and imaging systems is highly competitive. In addition to direct competition from other providers of services similar to those offered by us, we compete with freestanding imaging centers and healthcare providers that have their own diagnostic imaging systems, as well as with equipment manufacturers that sell imaging equipment directly to healthcare providers for permanent installation. Some of the direct competitors, which provide contract MRI and PET/CT services, have access to greater financial resources than we do. In addition, some of our customers are capable of providing the same services we provide to their patients directly, subject only to their decision to acquire a high-cost diagnostic imaging system, assume the financial and technology risk, and employ the necessary technologists, rather than obtain equipment and services from us. We may also experience greater competition in states that currently have certificate of need laws if such laws were repealed, thereby reducing barriers to entry and competition in those states. We also compete against other similar providers in quality of services, quality of imaging systems, relationships with healthcare providers, knowledge and service quality of technologists, price, availability, and reliability.

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

Building and Construction. The target market for our building and construction division includes residential home builders, general contractors, owners/developers of commercial buildings, and individual retail customers.

Real Estate and Investments. As part of the HoldCo Conversion, Digirad formed a real estate division under SRE for the purposes of holding significant real estate assets that Digirad acquires. As an initial transaction to create Digirad's real estate division under SRE and launch that aspect of the HoldCo Conversion, in April 2019, Digirad funded the initial purchase of three manufacturing facilities in Maine that manufacture modular buildings and leased those three properties. The funding of the assets acquisition was primarily through the revolver loan under our SNB Credit Facility. Digirad expects SRE to be substantially self-funded over time by raising its own capital in the form of commercial mortgages on the properties it owns or by raising other forms of external capital. As part of the investment arm of the Company, LSVM, a Connecticut based exempt reporting advisor may make strategic investments in future potential acquisition targets for the Company or in pursuit of other strategic relationships. LSVM currently also provides investment advisory services and manages assets of related and unrelated parties to the Company through pooled investment vehicles.

Acquisition of ATRM Holdings, Inc.

On September 10, 2019 (the ATRM Acquisition Date), Digirad completed its acquisition of ATRM pursuant to the ATRM Merger Agreement pursuant to which a newly formed wholly owned subsidiary of Digirad merged with and into ATRM, with ATRM surviving as a wholly-owned subsidiary of Digirad. As a result of the ATRM Merger, ATRM's operations have been included in our consolidated financial statements since the ATRM Acquisition Date.

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

As a result of the ATRM Merger, ATRM's operations have been included in the consolidated financial statements since the ATRM Acquisition Date. ATRM also became a wholly owned subsidiary of Digirad and KBS, EdgeBuilder, Glenbrook and LSVM became wholly owned indirect subsidiaries of Digirad. On October 25, 2019, ATRM distributed its interest in LSVM to Digirad, resulting in LSVM becoming a wholly owned direct subsidiary of Digirad. Digirad's aim with this acquisition is to continue to grow its business into an integrated healthcare services company while simultaneously converting into a diversified holding company through the acquisition of businesses that meet Digirad's internally developed financially disciplined approach for acquisitions. The Company expects to achieve significant synergies and cost reductions by eliminating redundant processes and facilities.

See Note 15. *Related Party Transactions*, within the notes to our accompanying consolidated financial statements for further details regarding the ownership interests of Jeffrey E. Eberwein, the Chairman of our board of directors, and his affiliates in ATRM prior to the ATRM Acquisition.

2019 Financial Highlights

Revenues for continuing operations were $114.2 million for the year ended December 31, 2019. This is an increase of $10.0 million, or 9.6%, compared to the prior year due to the following:

- The majority part of the increase was mainly due to $11.3 million revenue generated by the Building and Construction segment and $0.1 million revenue by Real Estate and Investments segment subsequent to the ATRM Merger and partially offset by following reasons.
- Mobile Healthcare segment revenues decreased $1.7 million, or 3.9% primarily due to lower scan volume as an result of an increase in mobile imaging cancellations.
- Diagnostic Imaging segment revenues increased $1.9 million, or 15.8%, primarily due to an increase in the number of cameras sold, but offset by lower revenue associated with camera maintenance time and material services.
- Diagnostic Services segment revenue decreased $1.5 million, or 3.1%, primarily due to sale of Telerhythmics and offset by an increase in studies performed, short term equipment rentals and increase in the average mobile imaging rate per day.

Gross profit for continuing operations increased $3.8 million, or 21.0%, compared to the prior year mainly due to a $2.0 million increase in Building and Construction division gross profit subsequent to the ATRM Merger and a $1.3 million increase in Mobile Healthcare segment, which was driven by consolidations of non-profitable routes and systems. It further reduced maintenance, transport, and depreciation. Additionally, we experienced lower health insurance premiums year over year, which partially offset by higher lease expense from an increase in sublease revenue and operating leases.

Total operating expenses increased $3.1 million, or 13.7%, for the year ended December 31, 2019 compared to the prior year, primarily due to additional $2.3 million merger and financing expenses and $1.1 million sales and general and administrative expenses and offset in part by $0.5 million lower goodwill impairment, and $0.1 million lower stock-based compensation.

Net loss for continuing operations for the year ended December 31, 2019 was $4.9 million, which is an increase of $1.1 million compared to our net loss of $3.8 million during the prior year. This was driven primarily by additional net loss of $0.8 million taken from ATRM during the year ended December 31, 2019 and non-recurring legal costs and other expenses offset by higher revenues and margin improvements from Digirad Health.

For the year ended December 31, 2019, Diagnostic Services operated 93 nuclear gamma cameras and 55 ultrasound imaging systems, and Mobile Healthcare operated 85 PET/CT, MRI, and ultrasound diagnostic imaging systems. We continue to strive to improve our overall profitability through more efficient utilization of our fleet of nuclear gamma cameras, ultrasound equipment, and PET, CT and MRI imaging systems. We measure efficiency by tracking system utilization, which is based on the percentage of days that our cameras, equipment and imaging systems are used to deliver services to customers out of the total number of days that they are available to deliver such services. System utilization for Diagnostic Services for the year ended December 31, 2019, was 60% compared to 63% of the prior year. System utilization for Mobile Healthcare was 87% for the year ended December 31, 2019, compared to 82% in the prior year, due to a increase in interim system utilization.

Critical Accounting Policies

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

Business Combination

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

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

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

On September 10, 2019, Digirad completed its acquisition of ATRM Holdings, Inc. ("ATRM") pursuant to an Agreement and Plan of Merger, dated as of July 3, 2019 (the "ATRM Merger Agreement"), among Digirad, Digirad Acquisition Corporation, a Minnesota corporation and wholly-owned subsidiary of Digirad ("Merger Sub"), and ATRM. Under the terms of the ATRM Merger Agreement, Merger Sub merged with and into ATRM, with ATRM surviving as a wholly owned subsidiary of Digirad (the "ATRM Merger" or the "ATRM Acquisition").

At the effective time of the ATRM Merger, (i) each share of ATRM common stock was converted into the right to receive three one-hundredths (0.03) of a share of 10.0% Series A Cumulative Perpetual Preferred Stock, par value $0.0001 per share, of the Company ("Company Preferred Stock") and (ii) each share of ATRM 10.00% Series B Cumulative Preferred Stock, par value $0.001 per share ("ATRM Preferred Stock"), converted into the right to receive two and one-half (2.5) shares of Company Preferred Stock, for an approximate aggregate total of 1.6 million shares of Company Preferred Stock. No fractional shares of Company Preferred Stock were issued to any ATRM shareholder in the ATRM Merger. Each ATRM shareholder who would otherwise have been entitled to receive a fraction of a share of Company common stock in the ATRM Merger received one whole share of Company Preferred Stock. See Note 5 *Merger*, within the notes to our audited consolidated financial statements for further detail.

Revenue Recognition

We adopted Accounting Standards Codification ("ASC") Topic 606 effective January 1, 2018 using the modified retrospective method. We applied the practical expedient permitted under ASC Topic 606 to those contracts that were not completed as of the date of initial adoption. Results for reporting periods after January 1, 2018 are presented under ASC Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with legacy accounting guidance under ASC Topic 605. Our revenue recognition policies under ASC Topic 606 is explained below.

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

Goodwill valuation

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

The Company recorded goodwill of $8.2 million associated with the acquisition of ATRM during the year ended December 31, 2019. The Company recorded an impairment charge of $1.1 million associated with the impairment assessment of the MDSS reporting unit during the year ended December 31, 2018. The Company also recorded impairment charges of $0.5 million, and derecognition of $0.2 million, respectively, during for the year ended December 31, 2018, associated with the impairment assessment of the Telerhythmics reporting unit. See Note 8. *Goodwill*, for further information.

Income Taxes

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

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

New Accounting Pronouncements

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

Results of Operations

Comparison of Years Ended December 31, 2019 and 2018

The following table sets forth our results from operations for the years ended December 31, 2019 and 2018 (in thousands):

	Year ended December 31,				Change from Prior Year	
	2019	% of Revenues	2018	% of Revenues	Dollars	Percent
Total revenues	$ 114,185	100.0 %	$ 104,180	100.0 %	$ 10,005	9.6 %
Total cost of revenues	92,070	80.6 %	85,909	82.5 %	6,161	7.2 %
Gross profit	22,115	19.4 %	18,271	17.5 %	3,844	21.0 %
Operating expenses:						
Selling, general and administrative	21,575	18.9 %	20,456	19.6 %	1,119	5.5 %
Amortization of intangible assets	1,794	1.6 %	1,377	1.3 %	417	30.3 %
Merger and finance costs	2,342	2.1 %	—	— %	2,342	— %
Goodwill impairment	—	— %	476	0.5 %	(476)	— %
Loss on sale of buildings	232	0.2 %	507	0.5 %	(275)	(54.2)%
Total operating expenses	25,943	22.7 %	22,816	21.9 %	3,127	13.7 %
Loss from operations	(3,828)	(3.4)%	(4,545)	(4.4)%	717	(15.8)%
Other expense, net	(133)	(0.1)%	(61)	(0.1)%	(72)	118.0 %
Interest expense, net	(1,156)	(1.0)%	(751)	(0.7)%	(405)	53.9 %
Loss on extinguishment of debt	(151)	(0.1)%	(43)	— %	(108)	251.2 %
Total other expense	(1,440)	(1.3)%	(855)	(0.8)%	(585)	68.4 %
Loss before income taxes	(5,268)	(4.6)%	(5,400)	(5.2)%	132	(2.4)%
Income tax benefit	375	0.3 %	1,561	1.5 %	(1,186)	(76.0)%
Net loss from continuing operations	(4,893)	(4.3)%	(3,839)	(3.7)%	(1,054)	27.5 %
Income from discontinued operations, net of tax	266	0.2 %	4,575	4.4 %	(4,309)	(94.2)%
Net (loss) income	$ (4,627)	(4.1)%	$ 736	0.7 %	$ (5,363)	(728.7)%

Revenues

Healthcare

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

	Year Ended December 31,			
	2019	2018	$ Change	% Change
Diagnostic Services	$ 47,723	$ 49,256	$ (1,533)	(3.1)%
Mobile Healthcare	41,251	42,941	(1,690)	(3.9)%
Diagnostic Imaging	13,872	11,983	1,889	15.8 %
Total Healthcare Revenue	$ 102,846	$ 104,180	$ (1,334)	(1.3)%

Healthcare revenue overall is consistent with prior year. The decrease in Diagnostic Services revenue was primarily due to sale of Telerhythmics and offset by increased healthcare service revenue.

The decrease in Mobile Healthcare revenue was primarily due to cancellations. The increased cancellation resulted in a $1.8 million decrease in scan volumes. The decrease was partially offset by slightly higher interim rentals and accessories revenue. The utilization of our interim rentals can vary in each period based on customers that are in the midst of new construction or refurbishing their current facilities. Overall, services revenue accounted for 77.9% and 88.5% , respectively, of total revenues for each of the two years ended December 31, 2019 and December 31, 2018.

The increase in Diagnostic Imaging revenue was due to an increase in number of cameras sold compared to prior year period. We expect our Services revenue to continue to represent the larger percentage of our consolidated healthcare revenue and expect that percentage to increase in 2020; however, the percentage will fluctuate quarter by quarter given the significant variability in the timing and volume of product sales associated with our Diagnostic Imaging segment.

Building and Construction

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

	Year Ended December 31,			
	2019	2018	$ Change	% Change
Building and Construction	$ 11,257	$ —	$ 11,257	—%
Total Building and Construction Revenue	$ 11,257	$ —	$ 11,257	—%

The increase in building and construction revenue was revenue generated by the segment subsequent to the ATRM Merger.

Real Estate and Investments

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

	Year Ended December 31,			
	2019	2018	$ Change	% Change
Real Estate and Investments	$ 275	$ —	$ 275	—%
Total Real Estate and Investments	$ 275	$ —	$ 275	—%

The real estate and investments revenue was generated by LSVM. Intercompany lease revenue from KBS subsequent to the ATRM Merger was eliminated through consolidation in the consolidated financial statements.

Gross Profit

Healthcare Gross Profit

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

	Year Ended December 31,		
	2019	2018	% Change
Diagnostic Services gross profit	$ 10,237	$ 9,447	8.4 %
Diagnostic Services gross margin	21.5%	19.2%	
Mobile Healthcare gross profit	4,956	3,682	34.6 %
Mobile Healthcare gross margin	12.0%	8.6%	
Diagnostic Imaging gross profit	5,135	5,142	(0.1)%
Diagnostic Imaging gross margin	37.0%	42.9%	
Total healthcare gross profit	$ 20,328	$ 18,271	11.3 %
Total healthcare gross margin	19.8%	17.5%	

Diagnostic Services gross profit increased $0.8 million, or 8.4%, to $10.2 million in the current year compared to $9.4 million in the prior year, and the gross margin percentage was 21.5% in the current year compared to 19.2% in the prior year. The increase in gross margin percentage was mainly due to the sale of low margin business (Telerhythmics).

Mobile Healthcare gross profit increased $1.3 million, or 34.6%, to $5.0 million in the current year compared to $3.7 million in the prior year, and gross margin percentage was 12.0% in the current year compared to 8.6% in the prior year. The increase in gross margin percentage was primarily due to consolidations of non-profitable routes and systems, which also reduced maintenance, transport, and depreciation. The increase is also attributable to lower health insurance premiums , which was partially offset by higher lease expense from an increase in sublease revenue and operating leases.

The decrease in Diagnostic Imaging gross margin percentage was primarily due to higher material variance costs from scrapped components and a higher labor rate applied to service calls due to increased labor costs.

Building and Construction

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

	Year Ended December 31,		
	2019	2018	% Change
Building and Construction gross profit	$ 2,013	$ —	—%
Building and Construction gross margin	17.9%	—%	

The increase in building and construction revenue was revenue generated by the segment subsequent to the ATRM Merger.

Real Estate and Investments

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

	Year Ended December 31,		
	2019	2018	% Change
Real Estate and Investments gross profit	$ (33)	$ —	—%
Real Estate and Investments gross margin	(12.0)%	—%	

The Real Estate and investments gross profit relates to depreciation expense and the write-off of some of the assets included with the three manufacturing facilities acquired in April 2019.

Operating Expenses

Operating expense are summarized as follows (in thousands):

	Year Ended December 31,				Percent of Revenues	
	2019	2018	$ Change	% Change	2019	2018
Selling, general and administrative	$ 21,575	$ 20,456	$ 1,119	5.5 %	18.9%	19.6%
Amortization of intangible assets	1,794	1,377	417	30.3 %	1.6%	1.3%
Merger and financing	2,342	—	2,342	— %	2.1%	—%
Goodwill impairment	—	476	(476)	— %	—%	0.5%
Loss on sale of building	232	507	(275)	(54.2)%	0.2%	0.5%
Total operating expenses	$ 25,943	$ 22,816	$ 3,127	13.7 %	22.8%	21.9%

The increase in selling, general and administrative expenses was primarily attributable to the addition of $2.1 million in expenses from ATRM offset in part by lower salaries of $0.5 million, and lower stock-based compensation of $0.1 million in our healthcare division.

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

During the year we completed the sale of buildings and land in Fargo, North Dakota with a net book value of $1.0 million for net cash proceeds of approximately $0.8 million, resulting in a loss on sale of $0.2 million.

In 2018, the goodwill non-cash impairment charge related to derecognize Telerhythmics business. See Note 8. *Goodwill*, within the notes to our accompanying consolidated financial statements for further information.

Other Expense

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

	Year Ended December 31,	
	2019	2018
Other expense, net	$ (133)	$ (61)
Interest expense, net	(1,156)	(751)
Loss on extinguishment of debt	(151)	(43)
Total other expense	$ (1,440)	$ (855)

Other expense, net consists of transaction costs occurred in prior quarter and offset by unrealized gains from equity securities.

Interest expense, net is predominantly comprised of cash interest costs related to ATRM loan and higher average loan balance.

The loss on extinguishment of debt for the year ended December 31, 2019, is related to the write-off of unamortized deferred financing costs related to the termination of our prior revolving credit facility with Comerica on March 29, 2019. See Note 9, *Debt*, within the notes to our accompanying consolidated financial statements for further information regarding interest expense and loss on extinguishment of debt.

Income Tax (Expense) Benefit

Intraperiod allocation rules require us to allocate our provision for income taxes between continuing operations and other categories or comprehensive income (loss) such as discontinued operations. As described in Note 3. *Discontinued Operations*, the results of our MDSS reportable segment have been reported as discontinued operations for the current and prior year. As a result of the intraperiod allocation rules, for the year ended December 31, 2019, the Company recorded a tax expense of $0.1 million. For the year ended December 31, 2018, the Company recorded a benefit of $1.5 million to discontinued operations.

See Note 13. *Income Taxes*, within the notes to our accompanying consolidated financial statements for further information.

Income from Discontinued Operations

As described in Note 3. *Discontinued Operations*, within the notes to our accompanying consolidated financial statements, the results of our MDSS reportable segment have been reported as discontinued operations for all periods presented. During the year ended December 31, 2019, discontinued operations includes a $0.4 million gain on the sale of our MDSS post-warranty service contracts to Philips that closed on February 1, 2018.

Liquidity and Capital Resources

Overview

We generated $0.4 million of positive cash flow from operations during the year ended December 31, 2019. Cash flows from operations primarily represent inflows from net income (adjusted for depreciation, amortization, and other non-cash items), as well as the net effect of changes in working capital. Cash flows from investing activities primarily represent our investment in capital equipment required to maintain and grow our business. Cash flows from financing activities primarily represent net proceeds from borrowings and offset by outflows related to financing charges and repayments of long-term borrowings.

Our principal sources of liquidity are our existing cash and cash equivalents, cash generated from operations, and availability on our revolving line of credit from our Sterling Credit Agreement. As of December 31, 2019, we had $1.8 million of cash and cash equivalents, as well as $3.0 million available under our revolving line of credit.

We require capital, principally for capital expenditures, acquisition activity, dividend payments and to finance accounts receivable and inventory. Our working capital requirements vary from period to period depending on inventory requirements, the timing of deliveries, and the payment cycles of our customers. Our capital expenditures consist primarily of medical imaging and diagnostic devices utilized in the provision of our services, as well as vehicles and information technology hardware and software.

The accompanying financial statements have been prepared assuming we will continue as a going concern, which contemplates the realization of assets and settlement of obligations in the normal course of business. We incurred net losses from operations of approximately $3.8 million and $4.5 million for the twelve months ended December 31, 2019 and 2018, respectively. We have an accumulated deficit of $118.5 million as of December 31, 2019. However, we were able to generate cash inflow from operations of $0.4 million and $5.1 million for the twelve months ended December 31, 2019 and 2018, respectively.

At December 31, 2019, we had approximately $6.0 million in related party and third party loans coming due in the current business cycle. As noted below, we have a covenant breach with Gerber. In January 2020, as discussed more fully below, we refinanced our debt with Gerber and Premier and reset the debt covenants with these lenders. The debt held by related parties totaled approximately $1.9 million at December 31, 2019.

The operating losses resulted predominantly from our Building and Construction division. As a part of the ATRM Merger, ATRM has restructured operations to (1) focus more on higher valued added properties and (2) larger commercial projects with the goal of increasing sales prices and increasing margins.

Should the Company not be able to increase sales and profit margins in the Building and Construction division, the Company may require additional support. To this end, a significant shareholder and lender has committed to provide financial support to the Company by providing written assurances that he will (a) not call approximately $1.9 million of related party debt when it becomes due in October 2020; and (b) extend through June 2021 the Company's put option with this shareholder of $1.0 million in Series A Cumulative Perpetual Preferred stock. Management believes that the Company has the liquidity and operations to continue to support the business through the next 12 months from the issuance of this Annual Report. The Company's ability to continue as a going concern is dependent on its ability to execute its plans.

Cash Flows

The following table shows cash flow information for the years ended December 31, 2019 and 2018 (in thousands):

	Year Ended December 31,	
	2019	2018
Net cash provided by operating activities	$ 400	$ 5,064
Net cash (used in) provided by investing activities	$ (5,818)	$ 8,685
Net cash provided by (used in) financing activities	$ 5,666	$ (14,156)

Operating Activities

The decrease in net cash provided by operating activities for the year ended December 31, 2019 compared to the prior year was primarily due to higher net loss adjusted with the spending of the one-time merger and financing costs and changes of working capital.

Investing Activities

The decrease in net cash used in investing activities for the year ended December 31, 2019 compared to the prior year was primarily attributable to $6.8 million of proceeds received from the sale of our MDSS service contract business to Philips, $2.1 million of proceeds received from the sale of property and equipment, and $1.9 million proceeds received from our sale of Telerhythmics during the prior year, compared to $5.2 million investment spent to acquire three properties in Maine during 2019.

Financing Activities

The increase in net cash provided by financing activities for the year ended December 31, 2019 compared to the prior year was primarily due to an increase of $17.3 million net principal borrowings in 2019 compared to 2018, to finance the purchase of three properties in Maine and the ATRM Merger.

Sterling Credit Facility

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

The SNB Loan Agreement is a five-year credit facility maturing in March 2024, with a maximum credit amount of $20.0 million for revolving loans (the SNB Credit Facility). Under the SNB Credit Facility, the SNB Borrowers can request an additional issuance of letters of credit in an aggregate amount not to exceed $0.5 million at any one time outstanding. As of December 31, 2019, the Company had $0.1 million of letters of credit outstanding and had additional borrowing capacity of $3.0 million.

At the SNB Borrowers' option, the SNB Credit Facility will bear interest at either (i) a Floating LIBOR Rate, as defined in the Loan Agreement, plus a margin of 2.50% per annum; or (ii) a Fixed LIBOR Rate, as defined in the Loan Agreement, plus a margin of 2.25% per annum.

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

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

Gerber and Premier Credit Facilities

As of December 31, 2019, ATRM had outstanding revolving lines of credit of approximately $4.0 million. Our debt through ATRM primarily included (i) $1.1 million principal outstanding on KBS's $4.0 million revolving credit facility under a Loan and Security Agreement, dated February 23, 2016, (as amended, the KBS Loan Agreement), with Gerber Finance Inc. (Gerber) and (ii) $2.9 million principal outstanding on EBGL's $3.0 million revolving credit facility under a Revolving Credit Loan Agreement, dated June 30, 2017 (as amended, the Premier Loan Agreement) with Premier Bank (Premier), net of an immaterial amount of unamortized financing fees. As of December 31, 2019, ATRM is at the maximum borrowing capacity under both revolving lines of credit, based on the inventory and accounts receivable on that day which fluctuates weekly.

On January 31, 2020, Star Real Estate Holdings USA, Inc. (SRE), 947 Waterford Road, LLC ("947 Waterford"), 300 Park Street, LLC ("300 Park"), and 56 Mechanic Falls Road, LLC ("56 Mechanic" and together with SRE, 947 Waterford, and 300 Park, (the "Star Borrowers"), each an Investments Subsidiary, and the Company, ATRM, KBS, EdgeBuilder and Glenbrook (the "Star Credit Parties"), entered into a Loan and Security Agreement (as amended, the Star Loan Agreement) with Gerber, as lender, providing the Star Borrowers with a credit facility with borrowing availability of up to $2.5 million and matures on January 1, 2025, unless terminated in accordance with the terms therein (the Star Loan). The advances from the Star Loan is allocated between a $2.0 million promissory note and a $0.5 million promissory note. On February 20, 2020, the Star Borrowers entered into a First Amendment to Loan and Security Agreement (the "First Star Amendment") with Gerber that amended the Star Loan Agreement in order to (i) temporarily advance $0.3 million to EBGL, which amount is to be repaid to Gerber on or before April 30, 2020; (ii) clarify that Gerber can make multiple advances under the Star Loan Agreement, and (iii) to correct the maturity date of the Star Loan.

On January 31, 2020, EdgeBuilder and Glenbrook (the "EBGL Borrowers"), each a Construction Subsidiary, and the Company, Star, 947 Waterford, 300 Park, 56 Mechanic, ATRM, and KBS (collectively, the "EBGL Credit Parties"), entered into a Loan and Security Agreement (the "EBGL Loan Agreement") with Gerber providing the EBGL Borrowers with a credit facility with borrowing availability of up to $3.0 million and matures on January 1, 2022, unless extended or terminated in accordance with the terms therein (the EBGL Loan).

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

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

The Company used a portion of the financing made available under the Star Loan and the EBGL Loan to refinance, effective as of January 31, 2020, a portion of its credit facility with Premier.

On January 31, 2020, Glenbrook and EdgeBuilder entered into an Extension and Modification Agreement (the "Modification Agreement") with Premier that modified the terms of the loans made by Premier to Glenbrook and EdgeBuilder pursuant Premier Loan Agreement and the promissory note issued in connection therewith (the "Premier Note"). Pursuant to the Modification Agreement, the amount of indebtedness evidenced by the Premier Note was reduced to $1.0 million, and the Premier Note was modified to, among other things: (a) extend the Final Maturity Date (as defined in the Premier Note) of the Premier Note to January 31, 2023, and (b) set the interest that the Premier Note will bear at 5.75% per annum.

In addition, the Company has certain ATRM promissory notes outstanding as more fully described in Note 15, *Related Party Transactions*, within the notes to our consolidated financial statements.

Off-Balance Sheet Arrangements

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

See Note 9, *Debt*, within the notes to our consolidated financial statements for further detail.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

DIGIRAD CORPORATION

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
Digirad Corporation
Poway, California

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Digirad Corporation (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of operations and comprehensive income (loss), mezzanine and stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Method Related to Leases

As discussed in Notes 2 and 11 to the consolidated financial statements, the Company has changed its method of accounting for leases as of January 1, 2019 due to the adoption of Accounting Standards Codification Topic 842 - Leases.

Basis for Opinion

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

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

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

/s/ BDO USA, LLP

We have served as the Company's auditor since 2015.
San Diego, California
March 9, 2020

DIGIRAD CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(In thousands, except per share amounts)

	Year ended December 31, 2019	Year ended December 31, 2018
Revenues:		
Healthcare	$ 102,846	$ 104,180
Building and Construction	11,257	—
Real Estate and Investments	82	—
Total revenues	114,185	104,180
Cost of revenues:		
Healthcare	82,518	85,909
Building and Construction	9,244	—
Real Estate and Investments	308	—
Total cost of revenues	92,070	85,909
Gross profit	22,115	18,271
Operating expenses:		
Selling, general and administrative	21,575	20,456
Amortization of intangible assets	1,794	1,377
Merger and financing costs	2,342	—
Goodwill impairment	—	476
Loss on sale of buildings	232	507
Total operating expenses	25,943	22,816
Loss from operations	(3,828)	(4,545)
Other expense:		
Other expense, net	(133)	(61)
Interest expense, net	(1,156)	(751)
Loss on extinguishment of debt	(151)	(43)
Total other expense	(1,440)	(855)
Loss before income taxes	(5,268)	(5,400)
Income tax benefit	375	1,561
Net loss from continuing operations	(4,893)	(3,839)
Net income from discontinued operations	266	4,575
Net (loss) income	(4,627)	736
Deemed dividend on Series A redeemable preferred stock	(596)	—
Net (loss) income attributable to common shareholders	$ (5,223)	$ 736
Net income (loss) per share — basic and diluted:		
Net loss per share, continuing operations attributable to common shareholders	$ (2.69)	$ (1.90)
Net income per share, discontinued operations attributable to common shareholders	0.13	2.27
Net (loss) income per share, attributable to common shareholders — basic and diluted:	$ (2.56)	$ 0.37
Dividends declared per common share	$ —	$ 1.65
Net (loss) income	$ (4,627)	$ 736
Other comprehensive income (loss):		
Reclassification of unrealized gains on equity securities to retained earnings	—	(17)
Reclassification of tax provision impact	22	—
Total other comprehensive income (loss)	22	(17)
Comprehensive (loss) income	$ (4,605)	$ 719

See accompanying notes to consolidated financial statements.

DIGIRAD CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	December 31, 2019	December 31, 2018
Assets:		
Current assets:		
Cash and cash equivalents	$ 1,821	$ 1,545
Restricted cash	240	167
Equity securities	26	153
Accounts receivable, net	18,571	12,642
Inventories, net	7,097	5,402
Other current assets	1,794	1,285
Total current assets	29,549	21,194
Property and equipment, net	22,138	21,645
Operating lease right-of-use assets, net	4,827	—
Intangible assets, net	22,903	5,228
Goodwill	9,978	1,745
Restricted cash	—	101
Investments in and receivables from related parties	—	275
Other assets	1,165	406
Total assets	$ 90,560	$ 50,594
Liabilities, Mezzanine Equity and Stockholders' Equity:		
Current liabilities:		
Accounts payable	$ 8,932	$ 5,206
Accrued compensation	4,579	3,862
Accrued warranty	421	197
Deferred revenue	1,786	1,687
Short-term debt	4,036	—
Payable of related parties	1,920	—
Operating lease liabilities	1,866	—
Other current liabilities	4,638	2,265
Total current liabilities	28,178	13,217
Long-term debt, net of current portion	17,038	9,500
Deferred tax liabilities	23	121
Operating lease liabilities, net of current portion	3,073	—
Other liabilities	1,551	1,956
Total liabilities	49,863	24,794
Commitments and contingencies (Note 10)		
Preferred stock, $0.0001 par value: 10,000,000 shares authorized: 10% Series A Cumulative Perpetual Preferred Stock, 8,000,000 shares liquidation preference ($10.00 per share), 1,915,637 shares issued or outstanding at December 31, 2019	19,602	—
Stockholders' equity:		
Common stock, $0.0001 par value: 30,000,000 shares authorized; 2,050,659 and 2,024,979 shares issued and outstanding (net of treasury shares) at December 31, 2019 and 2018, respectively	—	—
Treasury stock, at cost; 258,849 shares at December 31, 2019 and 2018	(5,728)	(5,728)
Additional paid-in capital	145,352	145,430
Accumulated other comprehensive loss	—	(22)
Accumulated deficit	(118,529)	(113,880)
Total stockholders' equity	21,095	25,800
Total liabilities, mezzanine equity and stockholders' equity	$ 90,560	$ 50,594

See accompanying notes to consolidated financial statements.

DIGIRAD CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year ended December 31,	
	2019	**2018**
Operating activities		
Net (loss) income	$ (4,627)	$ 736
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation	6,281	7,331
Amortization of intangible assets	1,794	1,390
Provision for bad debts	129	53
Stock-based compensation	540	634
Amortization of loan fees	185	43
Loss on extinguishment of debt	151	43
Loss on write-off of financing costs	273	—
Gain on disposal of discontinued operations	(350)	(6,161)
Gain on sale of Telerhythmics	—	(19)
Gain on sale of assets	(136)	(46)
Unrealized (gain) loss on equity securities	(62)	62
Goodwill impairment	—	476
Goodwill tax adjustment	(265)	—
Deferred income taxes	(98)	(133)
Changes in operating assets and liabilities:		
Accounts receivable	(3,325)	3,026
Inventories	(30)	(12)
Other assets	(317)	686
Accounts payable	(463)	25
Accrued compensation	211	(1,645)
Deferred revenue	155	(749)
Operating lease liabilities	(37)	—
Other liabilities	391	(676)
Net cash provided by operating activities	400	5,064
Investing activities		
Purchases of property and equipment	(1,512)	(2,163)
Purchase of real estate from related and third parties	(5,180)	—
Proceeds from sale of discontinued operations	—	6,844
Proceeds from sale of Telerhythmics	—	1,922
Proceeds from sale of property and equipment	1,734	2,095
Sale (purchases) of equity securities	140	(13)
Payments to acquire interest in joint ventures	(1,000)	—
Net cash (used in) provided by investing activities	(5,818)	8,685
Financing activities		
Proceeds from borrowings	98,541	33,347
Repayment of debt	(91,203)	(43,347)
Issuances of preferred stock	3,000	—
Loan issuance costs and extinguishment costs	(662)	24
Dividends paid	—	(3,321)
Issuances of common stock	—	26
Repayment of Gerber acquisition loan	(3,000)	—
Fees payable on issuance of preferred stock	(150)	—
Deferred financing costs	27	—
Taxes paid related to net share settlement of equity awards	(24)	(74)
Repayment of obligations under finance leases	(863)	(811)
Net cash provided by (used in) financing activities	5,666	(14,156)
Net increase (decrease) in cash, cash equivalents, and restricted cash	248	(407)
Cash, cash equivalents, and restricted cash at beginning of year	1,813	2,220
Cash, cash equivalents, and restricted cash at end of year	$ 2,061	$ 1,813

Supplemental Information				
Cash paid during the period for interest	$	1,083	$	702
Cash paid during the period for income taxes	$	102	$	52

See accompanying notes to consolidated financial statements.

DIGIRAD CORPORATION
CONSOLIDATED STATEMENTS OF MEZZANINE AND STOCKHOLDERS' EQUITY
(In thousands)

	Redeemable Preferred Stock		Common stock						
	Shares	Amount	Shares	Amount	Treasury Stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total stockholders' equity
Balance at December 31, 2017	—	$ —	2,006	$ —	$ (5,728)	$ 148,165	$ (5)	$ (114,633)	$ 27,799
Stock-based compensation	—	—	—	—	—	634	—	—	634
Shares issued under stock incentive plans, net of shares withheld for employee taxes	—	—	19	—	—	(48)	—	—	(48)
Dividends paid	—	—	—	—	—	(3,321)	—	—	(3,321)
Net loss	—	—	—	—	—	—		736	736
Unrealized gain on securities available-for-sale	—	—	—	—	—		(17)	17	—
Balance at December 31, 2018	—	—	2,025	—	(5,728)	145,430	(22)	(113,880)	25,800
Issuance of preferred stock	1,916	19,156	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	540	—	—	540
Shares issued under stock incentive plans, net of shares withheld for employee taxes	—	—	23	—	—	(24)	—	—	(24)
Shares issued for fractional shares in conjunction with reverse stock split	—	—	2	—	—	2	—	—	2
Reclassification of other-than-temporary losses on available-for-sale securities included in net income	—	—	—	—	—	—	22	(22)	—
Fees paid on issuance of preferred stock	—	(150)	—	—	—	—	—	—	—
Accrued dividend on redeemable preferred stock	—	596	—	—	—	(596)	—	—	(596)
Net loss	—	—	—	—	—	—	—	(4,627)	(4,627)
Balance at December 31, 2019	1,916	$ 19,602	2,050	$ —	$ (5,728)	$ 145,352	$ —	$ (118,529)	$ 21,095

See accompanying notes to consolidated financial statements.

DIGIRAD CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. The Company

Digirad Corporation is a diversified holding company operating with three business divisions: Healthcare, Building & Construction, and Real Estate and Investments.

Digirad: Healthcare Division

Digirad Health designs, manufactures, and distributes diagnostic medical imaging products. Digirad Health operates in three businesses: Diagnostic Services, Mobile Healthcare, and Diagnostic Imaging. The Diagnostic Services business offers imaging and monitoring services to healthcare providers as an alternative to purchasing the equipment or outsourcing the job. The Mobile Healthcare business provides contract diagnostic imaging, including computerized tomography ("CT"), magnetic resonance imaging ("MRI"), positron emission tomography ("PET"), PET/CT, and nuclear medicine and healthcare expertise through a convenient mobile service. The Diagnostic Imaging business develops, sells, and maintains solid-state gamma cameras.

ATRM: Building and Construction Division

ATRM manufactures modular housing units for commercial and residential applications. ATRM operates in two businesses: (i) modular building manufacturing and (ii) structural wall panel and wood foundation manufacturing, including building supply retail operations. The modular building manufacturing business is operated by KBS Builders, Inc. ("KBS"), the structural wall panel and wood foundation manufacturing segment is operated by EdgeBuilder, Inc. ("EdgeBuilder"), and the retail building supplies are sold through Glenbrook Building Supply, Inc. ("Glenbrook" and together with EdgeBuilder, "EBGL"). KBS, EdgeBuilder, and Glenbrook are wholly-owned subsidiaries of ATRM.

Real Estate & Investments Division

This business division manages real estate assets and investments.

As of December 31, 2019, our business is organized into five reportable segments: Diagnostic Services, Mobile Healthcare, Diagnostic Imaging, Building and Construction and Real Estate and Investments. See Note 16. *Segments*, for more information relating to our segments. For discussion purposes, we categorized our Diagnostic Services, Mobile Healthcare and Diagnostic Imaging reportable segments as "Digirad Health."

Note 2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The consolidated financial statements are prepared in conformity with United States generally accepted accounting principles ("GAAP") and include the financial statements of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated. Certain reclassifications have been made to the prior period financial statements to conform to the current period presentation.

Discontinued Operations

On February 1, 2018, the Company completed the sale of its customer contracts relating to the Medical Device Sales and Service (MDSS) post-warranty service business to Philips North America LLC ("Philips") pursuant to an Asset Purchase Agreement, dated as of December 22, 2017 for $8.0 million. For all periods presented in our consolidated statements of operations, all sales, costs, expenses, and income taxes attributable to MDSS, except as related to the impact of the decrease in the federal statutory tax rate (see Note 13. *Income Taxes*), have been aggregated under the caption "earnings from discontinued operations, net of income taxes." Cash flows used in or provided by MDSS operations as part of discontinued operations and prior year results recasted to conform with the current presentation are disclosed in Note 3. *Discontinued Operations.* Unless otherwise noted, amounts and disclosures throughout these notes to consolidated financial statements relate to our continuing operations.

Sale of Telerhythmics, LLC

On October 31, 2018, the Company entered into a membership interest purchase agreement (the "Telerhythmics Purchase Agreement") with G Medical Innovations USA, Inc. ("G Medical"), pursuant to which we sold all the outstanding membership interests in Telerhythmics, LLC ("Telerhythmics") to G Medical. The total consideration related to the Telerhythmics Purchase Agreement was $1.95 million in cash, which was paid at the closing on October 31, 2018. In connection with the transaction, the Company has agreed to make partial monthly rent payments aggregating $0.2 million through January 2021. The Telerhythmics Purchase Agreement includes customary representations, warranties, covenants and indemnification obligations of the parties, including a non-competition covenant by the Company. The gain on the sale of Telerhythmics was approximately $19 thousand and is included in other income in the statement of operations and comprehensive income (loss) in 2018.

Reverse Stock Split

On May 31, 2019, the Company filed a Certificate of Amendment to its Restated Certificate of Incorporation (the "Amendment") in order to effect a reverse stock split of the issued and outstanding shares of its common stock at a ratio of 1-for-10 (the "Reverse Stock Split") and to reduce the number of authorized shares of common stock to 30 million shares authorized (the "Share Reduction"). The Reverse Stock Split was implemented for the purpose of regaining compliance with the minimum bid price requirement for continued listing of the Company's common stock on the Nasdaq Global Market.

The Reverse Stock Split and the Share Reduction became effective on June 4, 2019, at which time (a) every ten shares of the Company's issued and outstanding common stock were automatically combined into one issued and outstanding share of common stock and (b) the number of authorized shares of common stock under the Company's Restated Certificate of Incorporation, as amended, was automatically reduced to 30 million shares authorized. No fractional shares were issued in connection with the Reverse Stock Split. Instead, the Company issued one full share of the post-Reverse Stock Split common stock to any stockholder who would have been entitled to receive a fractional share as a result of the Reverse Stock Split. The Amendment did not affect the par value of the Company's common stock. The Company's common stock began trading on a split-adjusted basis on June 5, 2019.

The Amendment, effecting the Reverse Stock Split and the Share Reduction, was approved by the stockholders of the Company at the Company's 2019 Annual Meeting of Stockholders held on May 1, 2019. In connection with approving the Reverse Stock Split, the Company's stockholders granted authority to the Company's board of directors to determine, at its discretion, a ratio within the range of 1-for-5 to 1-for-10, at which to effectuate the Reverse Stock Split. The Reverse Stock Split was approved by the Company's board of directors on March 8, 2019, and the ratio of 1-for-10 was approved by the Company's board of directors on May 15, 2019.

The terms of equity awards under the Company's incentive plans, including the per share exercise price of options and the number of shares issuable under outstanding awards, were converted on the effective date of the Reverse Stock Split in proportion to the reverse split ratio (subject to adjustment for fractional interests). In addition, the total number of shares of common stock that may be the subject of future grants under the Company's incentive plans were adjusted and proportionately decreased as a result of the Reverse Stock Split.

All authorized, issued, and outstanding stock and per share amounts contained in the accompanying consolidated financial statements have been adjusted to reflect the 1-for-10 Reverse Stock Split for all prior periods presented. The Reverse Stock Split was effective June 4, 2019.

ATRM Merger

On September 10, 2019, Digirad completed its acquisition of ATRM Holdings, Inc. ("ATRM") pursuant to an Agreement and Plan of Merger, dated as of July 3, 2019 (the "ATRM Merger Agreement"), among Digirad, Digirad Acquisition Corporation, a Minnesota corporation and wholly-owned subsidiary of Digirad ("Merger Sub"), and ATRM. Under the terms of the ATRM Merger Agreement, Merger Sub merged with and into ATRM, with ATRM surviving as a wholly owned subsidiary of Digirad (the "ATRM Merger" or the "ATRM Acquisition").

At the effective time of the ATRM Merger, (i) each share of ATRM common stock was converted into the right to receive three one-hundredths (0.03) of a share of 10.0% Series A Cumulative Perpetual Preferred Stock, par value $0.0001 per share, of the Company ("Company Preferred Stock") and (ii) each share of ATRM 10.00% Series B Cumulative Preferred Stock, par value $0.001 per share ("ATRM Preferred Stock"), converted into the right to receive two and one-half (2.5) shares of Company Preferred Stock, for an approximate aggregate total of 1.6 million shares of Company Preferred Stock. No fractional shares of Company Preferred Stock were issued to any ATRM shareholder in the ATRM Merger. Each ATRM shareholder who would otherwise have been entitled to receive a fraction of a share of Company common stock in the ATRM Merger received one whole share of Company Preferred Stock. See Note 5. *Merger*, within the notes to our consolidated financial statements for further detail.

Mezzanine Equity

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

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

Liquidity

The accompanying financial statements have been prepared assuming we will continue as a going concern, which contemplates the realization of assets and settlement of obligations in the normal course of business. We incurred net losses from operations of approximately $3.8 million and $4.5 million for the twelve months ended December 31, 2019 and 2018, respectively. We have an accumulated deficit of $118.5 million as of December 31, 2019. However, we were able to generate cash inflow from operations of $0.4 million and $5.1 million for the twelve months ended December 31, 2019 and 2018, respectively.

At December 31, 2019, we had approximately $6.0 million in related party and third party loans coming due in the current business cycle. As noted below, we have a covenant breach with Gerber. In January 2020, as discussed more fully below, we refinanced our debt with Gerber and Premier and reset the debt covenants with these lenders. The debt held by related parties totaled approximately $1.9 million at December 31, 2019.

The operating losses resulted predominantly from our Building and Construction division. As a part of the ATRM Merger, ATRM has restructured operations to (1) focus more on higher valued added properties and (2) larger commercial projects with the goal of increasing sales prices and increasing margins.

Should the Company not be able to increase sales and profit margins in the Building and Construction division, the Company may require additional support. To this end, a significant shareholder and lender has committed to provide financial support to the Company by providing written assurances that he will (a) not call approximately $1.9 million of related party debt when it becomes due in October 2020; and (b) extend through June 2021 the Company's put option with this shareholder of $1.0 million in Series A Cumulative Perpetual Preferred stock. Management believes that the Company has the liquidity and operations to continue to support the business through the next 12 months from the issuance of this Annual Report. The Company's ability to continue as a going concern is dependent on its ability to execute its plans.

Use of Estimates

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

Revenue Recognition

We adopted Accounting Standards Codification ("ASC") Topic 606 effective January 1, 2018 using the modified retrospective method. We applied the practical expedient permitted under ASC Topic 606 to those contracts that were not completed as of the date of initial adoption. Results for reporting periods after January 1, 2018 are presented under ASC Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with legacy accounting guidance under ASC Topic 605. Our revenue recognition policies under ASC Topic 606 is explained below.

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

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

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

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

Building and Construction Revenue Recognition.

Within the Building and Construction segment, ATRM, through its wholly-owned subsidiaries KBS, EdgeBuilder, and Glenbrook, services residential and commercial construction projects by manufacturing modular housing units and other products and supplies general contractors with building materials. KBS manufactures modular buildings for both single-family residential homes and larger, commercial building projects. EdgeBuilder manufactures structural wall panels, permanent wood foundation systems and other engineered wood products, and GlenBrook is a retail supplier of lumber and other building supplies. Revenue from these contracts are deferred and recognized ratably over the period of the obligation. Retail sales at Glenbrook are recognized at the point of sale. Returns on retail sales are recognized at the point of return.

Leases

Lessee Accounting

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

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

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

Lessor Accounting

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

The Company elected the operating lease practical expedient for its leases to not separate non-lease components of regular maintenance services from associated lease components. This practical expedient is available when both of the following are met: (i) the timing and pattern of transfer of the non-lease components and associated lease component are the same and (ii) the lease component, if accounted for separately, would be classified as an operating lease.

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

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

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

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

Concentration of Credit Risk

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

Fair Value of Financial Instruments

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

Cash and Cash Equivalents

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

Equity Securities

As of December 31, 2019, securities consist of investments in equity securities that are publicly traded. Investments that are strategic in nature, with the intent to hold the investment over a several year period, are classified as other assets (non-current). Effective January 1, 2018, equity securities, with certain exceptions, are measured at fair value and changes in fair value are recognized in net income. During the year ended December 31, 2019, the Company recognized gains related to changes in fair value of $0.1 million in the statement of operations. During 2018, the Company recorded expenses related to changes in fair value of $0.1 million.

Allowance for Doubtful Accounts, Billing Adjustments, and Contractual Allowances

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

Within Diagnostic Services, we record adjustments and credit memos that represent billing adjustments subsequent to the performance of service. As such, we also record a provision for billing adjustments, which are based on our historical experience rate and billing adjustments history. The provision for billing adjustments is charged against Diagnostic Services revenues.

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

The following table summarizes our allowance for doubtful accounts, billing adjustments, and contractual allowances as of and for the years ended December 31, 2019, and 2018 (in thousands):

	Allowance for Doubtful Accounts [1]	Reserve for Billing Adjustments [2]	Reserve for Contractual Allowances [2]
Balance at December 31, 2017	$ 553	$ 9	$ 447
Provision adjustment	180	219	19,221
Write-offs and recoveries, net	(301)	(210)	(19,668)
Balance at December 31, 2018	432	18	—
ATRM beginning balance	223	—	—
Provision adjustment	227	248	—
Write-offs and recoveries, net	(234)	(246)	—
Balance at December 31, 2019	$ 648	$ 20	$ —

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

(2) The provision was charged against services revenue. Contractual allowance was written off due to sale of Telerhythmics.

Inventory

In Digirad Health, our inventories are stated at the lower of cost (first-in, first-out) or market (net realizable value) and we review inventory balances for excess and obsolete inventory levels on a quarterly basis. Costs include material, labor, and manufacturing overhead costs. We rely on historical information to support our excess and obsolete reserves and utilize our business judgment with respect to estimated future demand. Per our policy, we generally reserve 100% of the cost of inventory quantities in excess of a defined period of demand. Once inventory is reserved, we do not adjust the reserve balance until the inventory is sold or disposed.

Within our Building and Construction segment, inventories consist primarily of lumber and other commodity-type building materials and are valued at the lower of cost or net realizable value, with cost determined on a first-in, first-out basis. Inventories include work in process and finished goods not yet delivered. Direct and indirect costs incurred on contracts in process, such as direct and indirect materials, labor and overhead are capitalized to inventory. Materials purchased, and costs incurred for specific contracts are recorded in cost of sales when the related contract revenue is recognized. We adjust our inventories for excess and obsolete items by reducing their carrying values to estimated net realizable value based upon assumptions about future product demand.

The following table summarizes our reserves for excess and obsolete inventory as of and for the years ended December 31, 2019 and 2018 (in thousands):

	Reserve for Excess and Obsolete Inventories [1]
Balance at December 31, 2017	$ 453
Provision adjustment	42
Write-offs and scrap [2]	(115)
Balance at December 31, 2018	380
Provision adjustment	50
Write-offs and scrap	(47)
Balance at December 31, 2019	$ 383

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

(2) Amount includes $90 thousand related to inventory sold during the year.

Long-Lived Assets including Finite Lived Purchased Intangible Assets

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

Impairment losses on long-lived assets used in operations are recorded when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. No impairment losses were recorded on long-lived assets to be held and used during the years ended December 31, 2019 and 2018.

Valuation of Goodwill

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

The Company recorded goodwill of $8.2 million associated with the acquisition of ATRM during the year ended December 31, 2019. The Company recorded an impairment charge of $1.1 million in discontinued operations associated with the impairment assessment of the MDSS reporting unit during the year ended December 31, 2018. The Company also recorded impairment charges of $0.5 million during for the year ended December 31, 2018, associated with the impairment assessment of the Telerhythmics reporting unit. See Note 8. *Goodwill*, for further information.

Self-Insured Health Insurance Benefits

Effective January 1, 2017, the Digirad Health provided healthcare benefits to its employees through a self-insured plan with "stop loss" coverage. The Company records a liability that represents our estimated cost of claims incurred and unpaid as of the balance sheet date. Our estimated reserve is based on historical experience and trends related to both health insurance claims and payments. The ultimate cost of healthcare benefits will depend on actual costs incurred to settle the claims and may differ from the amounts reserved by the Company for those claims. As of December 31, 2019 and 2018, the reserve for estimated claims incurred and unpaid was $0.5 million and $0.5 million, respectively.

Restricted Cash

We maintain certain cash amounts restricted as to withdrawal or use. As of December 31, 2019 and 2018, restricted cash was $0.2 million and $0.3 million, respectively, comprised of cash held for letters of credit for our real estate leases and certain minimum balance requirements on our banking arrangements.

Debt Issuance Costs

We incur debt issuance costs in connection with debt financings. Debt issuance costs recorded in connection with our Sterling National Bank, Gerber Finance, and Premier Bank revolving credit facility are presented in other assets on the consolidated balance sheets and are amortized over the term of the revolving debt agreements using the straight-line method. Amortization of debt issuance costs are included in interest expense. As of December 31, 2019 and 2018, we have $0.6 million and $0.2 million, respectively, of unamortized debt issuance costs.

Upon changes to our debt structure, we evaluate debt issuance costs in accordance with the Debt topic of the Codification. We adjust debt issuance costs as necessary based on the results of this evaluation, as discussed in Note 9. *Debt*.

Shipping and Handling Fees and Costs

We record all shipping and handling billings to customers as revenue earned for the goods provided. Shipping and handling costs are included in cost of revenues and totaled $0.7 million and $0.8 million for the years ended December 31, 2019 and 2018, respectively.

Share-Based Compensation

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

Warranty

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

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

The activities related to our warranty reserve for the years ended December 31, 2019 and 2018 are as follows (in thousands):

	Year Ended December 31,	
	2019	**2018**
Balance at beginning of year	$ 197	$ 204
ATRM beginning balance	60	—
Charges to cost of revenues	547	279
Applied to liability	(383)	(286)
Balance at end of year	$ 421	$ 197

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs for each of the years ended December 31, 2019 and 2018 were $0.3 million and $0.3 million, respectively.

Basic and Diluted Net Income (Loss) Per Share

Basic earnings per share ("EPS") is calculated by dividing net (loss) income by the weighted-average number of common shares and vested restricted stock units outstanding. Diluted EPS is computed by dividing net (loss) income by the weighted-average number of common shares and vested restricted stock units outstanding and the weighted-average number of dilutive common stock equivalents, including stock options and non-vested restricted stock units under the treasury stock method. Common stock equivalents are only included in the diluted earnings per share calculation when their effect is dilutive.

The following table sets forth the computation of basic and diluted net (loss) income per share for the periods indicated (in thousands, except per share amounts):

	Year Ended December 31, 2019	Year Ended December 31, 2018
Numerator:		
Loss from continuing operations, net of tax	$ (4,893)	$ (3,839)
Deemed dividend on Series A redeemable preferred stock	(596)	—
Net loss from continuing operations attributable to common shareholders	(5,489)	(3,839)
Income from discontinued operations, net of tax	266	4,575
Net (loss) income attributable to common shareholders	$ (5,223)	$ 736
Denominator:		
Weighted average shares outstanding - basic	2,041	2,016
Dilutive potential common shares:		
Stock options	—	—
Restricted stock units	—	—
Weighted average shares outstanding - diluted	2,041	2,016
Net income (loss) per common share - basic and diluted		
Net loss per share, continuing operations	$ (2.40)	$ (1.90)
Preferred dividends per share	(0.29)	—
Net loss per share, continuing operations attributable to common shareholders	$ (2.69)	$ (1.90)
Net income per share, discontinued operations attributable to common shareholders	0.13	2.27
Net (loss) income per share, attributable to common shareholders - basic and diluted [1]	$ (2.56)	$ 0.37

[1] Earnings per share may not add due to rounding.

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

	Year Ended December 31, 2019	Year Ended December 31, 2018
Stock options	54	34
Restricted stock units	24	16
Total	78	50

Other Comprehensive Income (Loss)

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

Income Taxes

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

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

Recently Adopted Accounting Standards

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, Leases (Topic 842), which amended the existing accounting standards for the accounting for leases. Most significant among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current GAAP. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Company adopted ASC 842 beginning January 1, 2019, using the modified-retrospective method, which did not result in a cumulative effect adjustment to accumulated deficit at the beginning of 2019. The comparative prior periods presented in the financial statements were not adjusted. In connection with the adoption, the Company has elected to utilize the package of practical expedients, including: (1) not reassess the lease classification for any expired or existing leases, (2) not reassess the treatment of initial direct costs as they related to existing leases, and (3) not reassess whether expired or existing contracts are or contain leases. Upon adoption, the Company recorded right-of-use assets and lease liabilities on its consolidated balance sheet of $2.8 million and $3.9 million, respectively, primarily related to real estate and vehicle leases. See Note 11. *Leases,* within the notes to our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The Company early adopted ASU 2018-15 beginning January 1, 2019, and applied the guidance prospectively to the implementation costs incurred in its NetSuite ERP implementation. As of December 31, 2019, the Company has capitalized $0.3 million of implementation costs.

New Accounting Standards To Be Adopted

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

Note 3. Discontinued Operations

On February 1, 2018, the Company completed the sale of its customer contracts relating to our MDSS post-warranty service business to Philips pursuant to an Asset Purchase Agreement, dated as of December 22, 2017 for $8.0 million. The total cash proceeds were adjusted for deferred revenue liabilities assigned to Philips at the closing date, as well as $0.5 million of proceeds held in escrow, subject to claims for breaches of general representation and warranties, which was recorded in other current assets at the date of sale. All claims have been settled as of December 31, 2019**.**

Prior to the contemplation of the transaction entered into above, on September 28, 2017, we received notification from Philips that our distribution agreement to sell Philips imaging systems on a commission basis would be terminated, effective December 31, 2017. As a result, our product sales activities within our MDSS reportable segment were also discontinued effective in the first quarter of 2018.

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

The Company deemed the disposition of our MDSS reportable segment in the first quarter of 2018 to represent a strategic shift that will have a major effect on our operations and financial results. In accordance with the provisions of FASB authoritative guidance on the presentation of financial statements, we have classified the results of our MDSS segment as discontinued operations in our consolidated statement of operations for all periods presented.

The Company has allocated a portion of interest expense to discontinued operations since the proceeds received from the sale were required to be used to pay down outstanding borrowings under our revolving credit facility with Comerica Bank, a Texas banking association ("Comerica"). The allocation was based on the ratio of proceeds received in the sale to total borrowings for the period. In addition, certain general and administrative costs related to corporate and shared service functions previously allocated to the MDSS reportable segment are not included in discontinued operations.

The following table summarizes the MDSS results for each period (in thousands):

	Year ended December 31,	
	2019	2018
Total revenues	$ —	$ 789
Total cost of revenues	—	555
Gross profit	—	234
Operating expenses:		
Marketing and sales	—	85
General and administrative	—	163
Amortization of intangible assets	—	13
Gain on sale of discontinued operations	(350)	(6,161)
Total operating expenses	(350)	(5,900)
Income from operations	350	6,134
Interest expense, net	—	(26)
Income from discontinued operations before income taxes	350	6,108
Income tax expense	(84)	(1,533)
Net income from discontinued operations	$ 266	$ 4,575

The following table presents supplemental cash flow information of discontinued operations (in thousands):

	December 31,	
	2019	2018
Operating activities		
Depreciation	$ —	$ 2
Amortization of intangible assets	$ —	$ 13
Gain on sale of discontinued operations	$ (350)	$ (6,161)
Share-based compensation	$ —	$ —
Investing activities		
Proceeds from sale of discontinued operations	$ —	$ 6,844

Note 4. Revenue

Healthcare Product and Product-Related Revenues and Services Revenue

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

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

Building and Construction

Building and Construction revenue are generated from selling modular buildings for both single-family residential homes and larger commercial building projects from KBS, Builders, Inc. ("KBS"), and selling structural wall panels, permanent wood foundation systems and other engineered wood products from EdgeBuilder and GlenBrook ("Glenbrook" and together with EdgeBuilder, "EBGL").

Real Estate and Investments

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

Revenue Recognition

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

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

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

Disaggregation of Revenue

The following table presents our revenues disaggregated by major source (in thousands):

	Year Ended December 31, 2019					
	Diagnostic Services	Diagnostic Imaging	Mobile Healthcare	Building and Construction	Real Estate and Investments	Total
Major Goods/Service Lines						
Mobile Imaging	$ 46,531	$ —	$ 31,251	$ —	$ —	$ 77,782
Camera Sales	—	7,213	—	—	—	7,213
Camera Support	—	6,659	—	—	—	6,659
Healthcare Revenue from Contracts with Customers	46,531	13,872	31,251	—	—	91,654
Lease Income	1,192	—	10,000	40	—	11,232
Building and Construction	—	—	—	11,217	—	11,217
Real Estate and Investments	—	—	—	—	82	82
Total Revenues	$ 47,723	$ 13,872	$ 41,251	$ 11,257	$ 82	$ 114,185
Timing of Revenue Recognition						
Services and goods transferred over time	$ 47,723	$ 6,090	$ 40,731	$ 40	$ —	$ 94,584
Services and goods transferred at a point in time	—	7,782	520	11,217	82	19,601
Total Revenues	$ 47,723	$ 13,872	$ 41,251	$ 11,257	$ 82	$ 114,185

	Year Ended December 31, 2018					
	Diagnostic Services	Diagnostic Imaging	Mobile Healthcare	Building and Construction	Real Estate and Investments	Total
Major Goods/Service Lines						
Mobile Imaging	$ 48,694	$ —	$ 32,865	$ —	$ —	$ 81,559
Camera Sales	—	4,914	—	—	—	4,914
Camera Support	—	6,951	—	—	—	6,951
Healthcare Revenue from Contracts with Customers	48,694	11,865	32,865	—	—	93,424
Lease Income	562	118	10,076	—	—	10,756
Building and Construction	—	—	—	—	—	—
Real Estate and Investments	—	—	—	—	—	—
Total Revenues	$ 49,256	$ 11,983	$ 42,941	$ —	$ —	$ 104,180
Timing of Revenue Recognition						
Services and goods transferred over time	$ 45,862	$ 6,555	$ 42,477	$ —	$ —	$ 94,894
Services and goods transferred at a point in time	3,394	5,428	464	—	—	9,286
Total Revenues	$ 49,256	$ 11,983	$ 42,941	$ —	$ —	$ 104,180

Nature of Goods and Services

Mobile Imaging

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

Camera

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

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

Camera Support

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

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

Lease Income

Within primarily our Mobile Healthcare segment, we also generate income from interim rentals of our imaging systems to customers that are in the midst of new construction or refurbishing their current facilities. Rental contracts are structured as either a weekly or monthly payment arrangement and are accounted for as operating leases. Revenues are recognized on a straight-line basis over the term of the rental.

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

Building and Construction

Within the Building and Construction segment, ATRM, through its wholly-owned subsidiaries KBS, EdgeBuilder, and Glenbrook, services residential and commercial construction projects by manufacturing modular housing units and other products and supplies general contractors with building materials. KBS manufactures modular buildings for both single-family residential homes and larger, commercial building projects. EdgeBuilder manufactures structural wall panels, permanent wood foundation systems and other engineered wood products, and GlenBrook is a retail supplier of lumber and other building supplies.

Deferred Revenues

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

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

Balance at December 31, 2017	$ 2,375
Revenue recognized that was included in balance at beginning of the year	(1,380)
Deferred revenue, net, related to contracts entered into during the year	718
Balance at December 31, 2018	1,713
ATRM beginning balance	317
Revenue recognized that was included in balance at beginning of the year	(1,477)
Deferred revenue, net, related to contracts entered into during the year	1,248
Balance at December 31, 2019	$ 1,801

As of December 31, 2019 and 2018, non-current deferred revenue is $15 thousand and $26 thousand, respectively.

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

Contract Costs

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

Note 5. Merger

On September 10, 2019 (the “ATRM Acquisition Date”), Digirad completed its acquisition of ATRM pursuant to the ATRM Merger Agreement under which Merger Sub (a wholly owned subsidiary of Digirad) merged with and into ATRM, with ATRM surviving as a wholly owned subsidiary of Digirad. As a result of the ATRM Merger, ATRM’s operations have been included in our consolidated financial statements since the ATRM Acquisition Date.

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

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

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

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

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

The Company has not yet finalized the accounting for the ATRM Acquisition. The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed at the ATRM Acquisition Date:

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

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

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

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

The Company recognized $2.3 million of acquisition related costs including legal, accounting that were expensed in the current period. These costs are included in the consolidated statement of operations in the line item entitled "Merger and finance costs."

The amounts of revenue and earnings of ATRM included in the Company's consolidated statement of operations from the ATRM Acquisition Date to the period ending December 31, 2019 are as follows (in thousands):

Revenue	$ 11,339
Net loss	$ (821)

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

	Year Ended December 31,	
	2019	2018
Non-cash investing and financing activities:		
Issuance of Digirad Series A Cumulative Perpetual Preferred Stock (1,615,637 shares)	$ 16,156	$ —
Settlement of pre-existing note receivable between DRAD and ATRM	$ 296	$ —
Fair value of pre-existing joint venture settlement between DRAD and ATRM	$ 1,000	$ —

The following represents the unaudited pro forma condensed consolidated statement of operations as if ATRM had been included in the consolidated results of the Company for the period ended December 31, 2019 and 2018 (in thousands):

	Year Ended December 31,	
	2019	2018
Revenue	$ 133,575	$ 140,458
Net loss from continuing operations	(6,546)	(8,936)
Income from discontinued operations	266	4,575
Net loss	$ (6,280)	$ (4,361)

These amounts have been calculated after applying the Company's accounting policies and adjusting the results of ATRM to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant, and equipment and intangible assets had been applied on January 1, 2018, together with the consequential tax effects.

Note 6. Supplementary Balance Sheet Information

The following tables show the Company's consolidated balance sheet details as of December 31, 2019 and 2018 (in thousands):

	December 31, 2019	December 31, 2018
Inventories:		
Raw materials	$ 4,309	$ 2,419
Work-in-process	2,710	2,307
Finished goods	461	1,056
Total inventories	7,480	5,782
Less reserve for excess and obsolete inventories	(383)	(380)
Total inventories, net	$ 7,097	$ 5,402

	December 31, 2019	December 31, 2018
Property and equipment, net:		
Land	$ 995	$ 550
Buildings and Leasehold improvements	5,451	1,989
Machinery and equipment	53,199	52,409
Computer hardware and software	4,218	4,490
Total property and equipment	63,863	59,438
Accumulated depreciation	(41,725)	(37,793)
Total property and equipment, net	$ 22,138	$ 21,645

Depreciation expense for the years ended December 31, 2019 and 2018 was $6.3 million and $7.3 million, respectively. In April 2019, Digirad purchased three manufacturing facilities, including land, in Maine that manufacture modular buildings (two of which were purchased from KBS Builders, Inc., a wholly-owned subsidiary of ATRM ("KBS")) for $5.2 million and leased those three properties to KBS. KBS subleased the manufacturing building located in Waterford, Maine to North Country Steel Inc., a Maine corporation with an initial 5 year term rental agreement, commenced on September 6, 2019. The rental agreement is structured with a monthly payment arrangement and is accounted for as operating lease. Refer to lease income discussed in Note 4. *Revenue.*

	December 31, 2019			
	Weighted-Average Useful Life (years)	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net
Intangible assets with finite useful lives:				
Customer relationships	10.0	$ 21,953	$ (5,746)	$ 16,207
Trademarks	13.6	8,594	(2,206)	6,388
Patents	15.0	141	(138)	3
Covenants not to compete	5.0	181	(174)	7
Backlog	1.0	430	(132)	298
Total intangible assets, net		$ 31,299	$ (8,396)	$ 22,903

	December 31, 2018			
	Weighted-Average Useful Life (years)	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net
Intangible assets with finite useful lives:				
Customer relationships	9.8	$ 8,453	$ (4,751)	$ 3,702
Trademarks	6.0	3,055	(1,577)	1,478
Patents	15.0	141	(136)	5
Covenants not to compete	5.0	181	(138)	43
Total intangible assets, net		$ 11,830	$ (6,602)	$ 5,228

Amortization expense for intangible assets, net for the years ended December 31, 2019 and 2018 was $1.8 million, and $1.4 million respectively. Estimated amortization expense for intangible assets for 2020 is $3.1 million, for 2021 is $2.8 million, for 2022 is $2.2 million, for 2023 is $2.2 million, for 2024 is $2.2 million, and thereafter is $10.4 million.

	December 31, 2019	December 31, 2018
Other current liabilities:		
Professional fees	$ 634	$ 358
Sales and property taxes payable	1,183	324
Radiopharmaceuticals and consumable medical supplies	79	—
Current portion of finance lease obligation	934	786
Facilities and related costs	144	259
Outside services and consulting	213	135
Other accrued liabilities	1,451	403
Total other current liabilities	$ 4,638	$ 2,265

Note 7. Fair Value Measurements

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

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

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

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

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

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

	At Fair Value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Equity securities	$ 153	$ 6	$ —	$ 159
Lumber derivative contracts	—	—	—	—
Total	$ 153	$ 6	$ —	$ 159

The investment in equity securities consists of common stock of publicly traded companies. The fair value of these securities is based on the closing prices observed on December 31, 2019. During the year ended December 31, 2019 the Company recorded in the statement of operations unrealized gains of $62 thousand. During the year ended December 31, 2018, the Company recorded unrealized gains of $43 thousand and unrealized losses of $105 thousand.

The Company occasionally enters into lumber derivative contracts in order to protect its gross profit margins from fluctuations caused by volatility in lumber prices. At December 31, 2019, the Company had a net long (buying) position of 770,000 board feet under seven lumber derivatives contracts and had a short position of 770,000 board feet under seven lumber derivative contracts.

The derivative contracts are included in other assets on the Company's consolidated balance sheet. We did not reclassify any investments between levels in the fair value hierarchy during the year ended December 31, 2019.

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

Note 8. Goodwill

The value of our goodwill has historically been derived from the acquisition of MD Office Solutions ("MD Office") in 2015, Telerhythmics in 2014, and substantially all of the assets of Ultrascan, Inc. ("Ultrascan") in 2007. On September 10, 2019, Digirad completed its acquisition of ATRM which resulted in the Company recognizing goodwill of $8.2 million. As of December 31, 2019, there was a subsequent measurement of goodwill and a related tax benefit adjustment that resulted in a net adjustment of $3.0 thousand and to the recognized amounts of goodwill resulting from the acquisition of ATRM. Digirad Imaging Solutions and ATRM are the reporting units that carry a goodwill balance of $1.7 million and $8.2 million, respectively .

Changes in the carrying amount of goodwill for the years ended December 31, 2019 and 2018, by reportable segment, are as follows (in thousands):

	Diagnostic Services	Medical Device Sales and Service	Building and Construction [4]	Total
Balance at December 31, 2017	$ 2,393	$ 1,098	$ —	$ 3,491
Derecognition of DMS Health [1]	—	(1,098)	—	(1,098)
Impairment of Telerhythmics	(476)	—	—	(476)
Derecognition of Telerhythmics [2]	(172)	—	—	(172)
Balance at December 31, 2018	1,745	—	—	1,745
Recognition of ATRM [3]	—	—	8,233	8,233
Balance at December 31, 2019	$ 1,745	$ —	$ 8,233	$ 9,978

(1) On February 1, 2018, the Company's MDSS reportable segment ceased to exist as the Company sold its MDSS customer contracts related to the post-warranty service business. As a result, the MDSS reportable segment is reported as discontinued operations in these consolidated financial statements and related notes thereto.

(2) On October 31, 2018, the Company entered into a membership interest purchase agreement (the "Telerhythmics Purchase Agreement") with G Medical Innovations USA, Inc. ("G Medical"), pursuant to which we sold all the outstanding membership interests in Telerhythmics to G Medical.

(3) On September 10, 2019, Digirad completed its acquisition of ATRM pursuant to the ATRM Merger Agreement. The goodwill recognized is attributable primarily to expected synergies and the assembled workforce of ATRM. As of December 31, 2019, there was a subsequent measurement of goodwill and a related tax benefit adjustment that resulted in a net adjustment of $3.0 thousand to the recognized amounts of goodwill resulting from the acquisition of ATRM.

(4) See Note 5 *Merger*, within the notes to our consolidated financial statements for further detail.

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

Note 9. Debt

A summary of debt is as follows (dollars in thousands):

	December 31, 2019		December 31, 2018	
	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
Revolving Credit Facility - SNB	$ 17,038	4.26%	$ —	—%
Revolving Credit Facility - Comerica	—	—%	9,500	4.87%
Total long term debt	$ 17,038	4.26%	$ 9,500	4.87%
Revolving Credit Facility - Gerber	$ 1,111	7.50%	$ —	—%
Revolving Credit Facility - Premier	2,925	6.25%	—	—%
Total short term debt	$ 4,036	6.59%	$ —	—%
LSV Co-Invest I Promissory Note (“January Note”)	$ 595	12.00%	$ —	—%
LSV Co-Invest I Promissory Noe (“June Note”)	1,023	12.00%	—	—%
LSVM Note	302	12.00%	—	—%
Total payable from related parties [(1)]	$ 1,920	12.00%	$ —	—%

[(1)] See Note 15, *Related Party Transactions*, for information regarding certain ATRM promissory notes that are outstanding.

Digirad Loan Agreement

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

The SNB Loan Agreement is a five-year credit facility maturing in March 2024, with a maximum credit amount of $20.0 million for revolving loans (the “SNB Credit Facility”). Under the SNB Credit Facility, the SNB Borrowers can request the issuance of letters of credit in an aggregate amount not to exceed $0.5 million at any one time outstanding. As of December 31, 2019, the Company had $0.1 million of letters of credit outstanding and had additional borrowing capacity of $3.0 million.

At the Borrowers’ option, the SNB Credit Facility will bear interest at either (i) a Floating LIBOR Rate, as defined in the Loan Agreement, plus a margin of 2.50% per annum; or (ii) a Fixed LIBOR Rate, as defined in the Loan Agreement, plus a margin of 2.25% per annum.

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

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

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

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

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

ATRM Loan Agreements

As of December 31, 2019, ATRM had outstanding revolving lines of credit of approximately $4.0 million. Our debt through ATRM primarily included (i) $1.1 million principal outstanding on KBS's $4.0 million revolving credit facility under a Loan and Security Agreement, dated February 23, 2016, (as amended, the "KBS Loan Agreement"), with Gerber Finance Inc. ("Gerber") and (ii) $2.9 million principal outstanding on EBGL's $3.0 million revolving credit facility under a Revolving Credit Loan Agreement, dated June 30, 2017 (as amended, the "Premier Loan Agreement") with Premier Bank ("Premier"), net of an immaterial amount of unamortized financing fees. As of December 31, 2019, ATRM is at the maximum borrowing capacity under both revolving lines of credit, based on the inventory and accounts receivable on that day which fluctuates weekly.

See Note 15, *Related Party Transactions*, for information regarding certain ATRM promissory notes that are outstanding.

KBS Loan Agreement

The KBS Loan Agreement provides KBS with a revolving line of credit with borrowing availability of up to $4.0 million. Availability under the line of credit is based on a formula tied to KBS's eligible accounts receivable, inventory and other collateral. The KBS Loan Agreement, which was scheduled to expire on February 22, 2018, has been automatically extended for successive one (1) year periods in accordance with its terms and is now scheduled to expire on February 22, 2021. The KBS Loan Agreement will be automatically extended for another one (1) year period unless a party thereto provides prior written notice of termination. As of December 31, 2019, neither parties has provided notice of termination. Upon the final expiration of the term of the KBS Loan Agreement, the outstanding principal balance is payable in full. Borrowings bear interest at the prime rate plus 2.75%, with interest payable monthly. The KBS Loan Agreement also provides for certain fees payable to Gerber Finance during its term, including a 1.5% annual facilities fee and a 0.10% monthly collateral monitoring fee. KBS's obligations under the KBS Loan Agreement are secured by all of its assets and are guaranteed by ATRM. Unsecured promissory notes issued by KBS and ATRM are subordinate to KBS's obligations under the KBS Loan Agreement. The KBS Loan Agreement contains representations, warranties, affirmative and negative covenants, defined events of default and other provisions customary for financings of this type. Financial covenants require that KBS maintain a maximum leverage ratio (as defined in the KBS Loan Agreement) and KBS not incur a net annual post-tax loss in any fiscal year during the term of the KBS Loan Agreement. At December 31, 2019, approximately $1.1 million was outstanding under the KBS Loan Agreement.

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

As of December 31, 2019 and 2018, KBS was not in compliance with the financial covenants requiring no net annual post-tax loss for KBS or the minimum leverage ratio covenant as of 2018. The occurrence of any event of default under the KBS Loan Agreement may result in KBS's obligations under the KBS Loan Agreement becoming immediately due and payable. In April 2019, June 2019 and February 2020, we obtained a waiver from Gerber for these events. In addition obtaining a waiver for these covenants, the Company and Gerber agreed to eliminate the minimum leverage ratio covenant for fiscal years after 2018.

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

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

EBGL Line of Credit

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

Availability under the Premier Loan Agreement is based on a formula tied to EBGL’s eligible accounts receivable, inventory and equipment, and borrowings bear interest at the prime rate plus 1.50%, with interest payable monthly and the outstanding principal balance payable upon expiration of the term of the Premier Loan Agreement. The Premier Loan Agreement also provides for certain fees payable to Premier during its term. The initial term of the Premier Loan Agreement was scheduled to expire on June 30, 2018, but was extended by Premier until February 1, 2019, and in July 2019, it was extended further by Premier until October 1, 2019. On October 1, 2019, it was extended until November 1, 2019; and on November 1, 2019, was extended until January 1, 2020; and on January 31, 2020, it was extended until January 31, 2023. The Premier Loan Agreement may be further extended from time to time at our request, subject to approval by Premier. EBGL’s obligations under the Premier Loan Agreement are secured by all of their inventory, equipment, accounts and other intangibles, fixtures and all proceeds of the foregoing.

As of December 31, 2019, EBGL was in compliance with the following covenants under the Premier Loan Agreement: (i) a requirement to maintain a Debt Service Coverage Ratio for the calendar year of at least 1.0; and (ii) a requirement to deliver ATRM’s fiscal year-end audited financial statements within 120 days of the end of each calendar year. The occurrence of any event of default under the Premier Loan Agreement may result in EBGL’s obligations under the Premier Loan Agreement becoming immediately due and payable.

On January 31, 2020, contemporaneously with the execution and delivery of the Star Loan Agreement and EBGL Loan Agreement described below, Glenbrook and EdgeBuilder entered into an Extension and Modification Agreement (the “Modification Agreement”) with Premier that modified the terms of that certain Revolving Credit Promissory Note (the “Premier Note”) made by Glenbrook and EdgeBuilder pursuant to that the Premier Loan Agreement. Pursuant to the Modification Agreement, the amount of indebtedness evidenced by the Premier Note was reduced to $1.0 million, and the Premier Note was modified to, among other things: (a) extend the Final Maturity Date (as defined in the Premier Note) of the Premier Note to January 31, 2023, and (b) set the interest that the Premier Note will bear at 5.75% per annum.

As a condition to close and to then later extend the term of the Premier Loan Agreement, ATRM and Mr. Eberwein executed a guaranty in favor of Premier, which has, through the multiple extensions described above, been extended through January 1, 2023, under which ATRM and Mr. Eberwein have absolutely and unconditionally guaranteed all of EBGL’s obligations under the Premier Loan Agreement.

Star and EBGL Loans

On January 31, 2020, SRE, 947 Waterford Road, LLC (“947 Waterford”), 300 Park Street, LLC (“300 Park”), and 56 Mechanic Falls Road, LLC (“56 Mechanic” and together with SRE, 947 Waterford, and 300 Park, (the “Star Borrowers”), each an Investments Subsidiary, and the Company, ATRM, KBS, EdgeBuilder, and Glenbrook (collectively, the “Star Credit Parties”), entered into a Loan and Security Agreement (as amended, the “Star Loan Agreement”) with Gerber providing the Star Borrowers with a credit facility with borrowing availability of up to $2.5 million ($2.0 million and $0.5 million to KBS and EBGL, respectively) (the “Star Loan”). The advance of $2.0 million to KBS is to be repaid in monthly installments of sixty (60) consecutive equal payments. The advance of $0.5 million to EBGL, which has been temporarily increased by $0.3 million due to be repaid on April 30, 2020, is to be repaid in monthly installments of twelve (12) consecutive equal payments. On February 20, 2020, the Star Borrowers entered into a First Amendment to Loan and Security Agreement (the “First Star Amendment”) with Gerber that amended the Star Loan Agreement in order to (i) temporarily advance $0.3 million to EBGL, which amount is to be repaid to Gerber on or before April 30, 2020; (ii) clarify that Gerber can make multiple advances under the Star Loan Agreement, and (iii) to correct the maturity date of the Star Loan.

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

Availability under the Star Loan Agreement is based on a formula tied to the value of real estate owned by the Star Borrowers, and borrowings bear interest at the prime rate plus 3.5% per annum. Availability under the EBGL Loan Agreement is based on a formula tied to the EBGL Borrowers’ eligible accounts receivable and inventory, and borrowings bear interest at the prime rate plus 2.75% per annum. The Loan Agreements also provide for certain fees payable to Gerber during their respective terms. The Star Loan matures on the earlier of (a) January 1, 2025 or (b) the termination, the maturity or repayment of the EBGL Loan. The EBGL Loan matures on the earlier of (a) January 1, 2022, unless extended, or (b) the termination, the maturity or repayment of the Star Loan. The maturity of the EBGL Loan is automatically extended for successive periods of one (1) year each unless terminated by Gerber or the EBGL Borrowers.

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

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

The Star Loan Agreement and EBGL Loan Agreement contains representations, warranties, affirmative and negative covenants, events of default and other provisions customary for financings of this type. The financial covenants under the EBGL Loan Agreement applicable to the EBGL Borrowers include maintenance of a minimum tangible net worth, a minimum debt service coverage ratio and minimum net income. The Financial covenants under the Star Loan Agreement applicable to the Star Borrowers include a minimum debt service coverage ratio. The occurrence of any event of default under the Loan Agreements may result in the obligations of the Borrowers becoming immediately due and payable.

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

As of December 31, 2019, maturities of long-term obligations for the next five years and thereafter are as follows (in thousands):

	Debt Maturities
2020	$ 5,956
2021	—
2022	—
2023	—
January 1, 2024	17,038
Total	$ 22,994

Note 10. Commitments and Contingencies

Other Matters

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

Note 11. Leases

Lessee

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

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

	December 31, 2019
Operating lease cost	$ 1,587
Finance lease cost:	
Amortization of finance lease assets	$ 666
Interest on finance lease liabilities	137
Total finance lease cost	$ 803

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

	December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	$ 1,498
Operating cash flows from finance leases	$ 137
Financing cash flows from finance leases	$ 863
Right-of-use assets obtained in exchange for lease obligations	
Operating leases	$ 2,493
Finance leases	$ 695

Supplemental balance sheet information related to leases was as follows (in thousands):

	December 31, 2019
Operating lease right-of-use assets, net	$ 4,827
Operating lease liabilities	$ 1,866
Operating lease liabilities, net of current	3,073
Total operating lease liabilities	$ 4,939
Finance lease assets	$ 4,541
Finance lease accumulated amortization	(1,701)
Finance lease assets, net	$ 2,840
Finance lease liabilities	$ 934
Finance lease liabilities, net of current	1,512
Total finance lease liabilities	$ 2,446
Weighted-Average Remaining Lease Term (in years)	
Operating leases	2.9
Finance leases	2.7
Weighted-Average Discount Rate	
Operating leases	5.45%
Finance leases	6.34%

Finance leases are recorded in other current and long-term liabilities on the balance sheet as of December 31, 2019.

We are committed to making future cash payments on non-cancelable operating leases and finance leases (including interest). The future minimum lease payments due under both non-cancelable operating leases and finance leases having initial or remaining lease terms in excess of one year as of December 31, 2019 were as follows (in thousands):

	Operating Leases	Finance Leases
2020	$ 2,090	$ 1,052
2021	1,654	989
2022	931	458
2023	516	140
Thereafter	156	7
Total future minimum lease payments	5,347	2,646
Less amounts representing interest	408	200
Present value of lease obligations	$ 4,939	$ 2,446

Lessor

In Healthcare division, we generate lease income in Mobile Healthcare segment, from interim rentals of our imaging systems to customers that are in the midst of new construction or refurbishing their current facilities. Rental contracts are structured as either a weekly or monthly payment arrangement and are accounted for as operating leases. Revenues are recognized on a straight-line basis over the term of the rental. As of December 31, 2019, our lease contracts are mainly month to month contracts.

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

Note 12. Share-Based Compensation

At December 31, 2019, we have two active equity incentive plans, the 2011 Inducement Stock Incentive Plan (the "2011 Plan"), and the 2018 Incentive Plan (the "2018" Plan and together with the 2011 Plan, "the Plans"), under which stock options, restricted stock units, and other stock-based awards may be granted to employees and non-employees, including members of our Board of Directors. Terms of any equity instruments granted under the Plans are approved by the Board of Directors. Stock options typically vest over the requisite service period of one to four years and have a contractual term of seven to ten years. Restricted stock units generally vest over one to four years. Under the Plans, we are authorized to issue an aggregate of 185,000 shares of common stock. As of December 31, 2019, the Plans had 140,127 shares available for future issuance. The number of shares reserved for issuance under the 2018 Plan is subject to increase by (i) the number of shares of common stock that remained available for grant under the 2014 Equity Incentive Award Plan (the "2014 Plan") as of the effective date of the 2018 Plan, plus (ii) any shares of common stock under the 2014 Plan that are forfeited, expire, or are canceled. As of December 31, 2019, the number of shares provided for issuance under the 2018 Plan due to unissued, forfeited, expired, and canceled shares under the 2014 Plan was 40,621 shares.

Stock Options

The estimated fair value of our stock options is determined using the Black-Scholes model. All stock options were granted with an exercise price equal to the fair value of the common stock on the grant date. There were no employee stock options granted during the years ended December 31, 2019 and 2018.

A summary of our stock option award activity as of and for the year ended December 31, 2019 is as follows (in thousands, except per share data):

	Number of Shares	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value
Options exercisable at December 31, 2018	52	$ 31.84		
Options outstanding at December 31, 2018	56	$ 33.05		
Options granted	—	$ —		
Options forfeited	(1)	$ 51.20		
Options expired	(1)	$ 35.06		
Options exercised	—	$ —		
Options outstanding at December 31, 2019	54	$ 32.93	1.7	$ —
Options exercisable at December 31, 2019	53	$ 32.41	1.6	$ —

At December 31, 2019, total unrecognized compensation cost related to unvested stock options was $2 thousand, which is expected to be recognized over a weighted-average period of 0.9 years.

Upon exercise, we issue new shares of common stock. Cash received from stock option exercises was $0 and $26 thousand during the years ended December 31, 2019 and 2018, respectively. The total intrinsic value of stock options exercised was $0 and $36 thousand during the years ended December 31, 2019 and 2018, respectively.

Restricted Stock Units

Under guidance for share-based payments, the fair value of our restricted stock awards is based on the grant date fair value of our common stock. All restricted stock units were granted with no purchase price. Vesting of the restricted stock awards is subject to service conditions, as well as the attainment of additional performance objectives for certain of the awards. The weighted-average grant date fair value of the restricted stock units was $6.87 and $19.17 per share during the years ended December 31, 2019 and 2018, respectively.

A summary of our restricted stock unit activity as of and for the year ended December 31, 2019 is as follows (in thousands, except per share data):

	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Non-vested restricted stock units outstanding at December 31, 2018	37	$ 29.14
Granted	72	$ 6.87
Forfeited	(4)	$ 30.29
Vested	(27)	$ 21.12
Non-vested restricted stock units outstanding at December 31, 2019	78	$ 11.34

The following table summarizes information about restricted stock units that vested during the years ended December 31, 2019 and 2018 based on service conditions (in thousands):

	Year Ended December 31,	
	2019	2018
Fair value on vesting date of vested restricted stock units	$ 171	$ 364

At December 31, 2019, total unrecognized compensation cost related to non-vested restricted stock units was $0.6 million, which is expected to be recognized over a weighted-average period of 1.44 years.

Allocation of Share-Based Compensation Expense

Total share-based compensation expense related to all of our share-based units for the years ended December 31, 2019 and 2018 was allocated as follows (in thousands):

	Year Ended December 31,	
	2019	2018
Cost of revenues:		
Services	$ 21	$ 34
Product and product-related	8	16
Selling, general and administrative	511	584
Total share-based compensation expense	$ 540	$ 634

Note 13. Income Taxes

Significant components of the provision (benefit) for income taxes from continuing operations are as follows (in thousands):

	Year Ended December 31,	
	2019	2018
Current provision:		
Federal	$ —	$ —
State	57	80
Foreign	16	45
Total current provision	73	125
Benefit provision:		
Federal	87	(1,398)
State	(535)	(288)
Foreign	—	—
Total deferred benefit	(448)	(1,686)
Total income tax benefit	$ (375)	$ (1,561)

Intraperiod allocation rules require us to allocate our provision for income taxes between continuing operations and other categories or comprehensive income (loss) such as discontinued operations. As described in Note 3. *Discontinued Operations*, the results of our MDSS reportable segment have been reported as discontinued operations for the current and prior year. As a result of the intraperiod allocation rules, for the year ended December 31, 2019, the Company recorded a tax expense of $0.1 million. For the year ended December 31, 2018, the Company recorded a benefit of $1.5 million.

Differences between the provision for income taxes and income taxes at the statutory federal income tax rate for continuing operations are as follows:

	Year Ended December 31,	
	2019	2018
Income tax expense at statutory federal rate	21.0 %	21.0 %
State income tax expense, net of federal benefit	0.3 %	1.7 %
Permanent differences and other	0.6 %	(4.6)%
Transaction costs	(4.8)%	— %
Withholding costs	(0.3)%	(0.8)%
Tax credit	— %	(0.1)%
Impact of 2017 Tax Act	— %	— %
Change in effective federal and state tax rates	0.3 %	(2.0)%
Expiration of net operating loss and tax credit carryovers	(43.5)%	— %
Stock compensation expense	— %	(2.4)%
Reserve for uncertain tax positions and other reserves	12.7 %	— %
Change in valuation allowance	20.8 %	16.1 %
Provision for income taxes	7.1 %	28.9 %

Our net deferred tax assets consisted of the following (in thousands):

	December 31,	
	2019	2018
Deferred tax assets:		
Net operating loss carryforwards	$ 23,929	$ 22,043
Research and development and other credits	72	72
Reserves	402	336
Operating lease liability	1,265	—
Interest Carryover	192	—
Other, net	1,263	1,013
Total deferred tax assets	27,123	23,464
Deferred tax liabilities:		
Right of use asset	(1,236)	—
Fixed assets and other	(2,167)	(2,588)
Intangibles	(4,597)	(756)
Total deferred tax liabilities	(8,000)	(3,344)
Valuation allowance for deferred tax assets	(19,146)	(20,241)
Net deferred tax liabilities	$ (23)	$ (121)

The Company recognizes federal and state deferred tax assets or liabilities based on the Company's estimate of future tax effects attributable to temporary differences and carryovers. The Company records a valuation allowance to reduce any deferred tax assets by the amount of any tax benefits that, based on available evidence and judgment, are not expected to be realized. In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. The Company considers projected future taxable income and planning strategies in making this assessment. As of December 31, 2018, as a result of a three-year cumulative loss and recent events, such as the unanticipated termination of the Philips distribution agreement and its effect on our near term forecasted income, we concluded that a full valuation allowance was necessary to offset our deferred tax assets. We intend to maintain a valuation allowance until sufficient positive evidence exists to support its reversal. The Company continues to be in a cumulative pretax loss for the three year period ended December 31, 2019. Accordingly, the full valuation allowance was maintained for the year ended December 31, 2019. The Company's valuation allowance balance at December 31, 2019 is $19.1 million, offsetting the Company's deferred tax assets. The Company will continue to evaluate its deferred tax balances to determine any assets that are more likely than not to be realized.

As of December 31, 2019, we had federal and state income tax net operating loss carryforwards of $91.6 million and $32.2 million, respectively. Pre-2018 federal loss carryforwards will begin to expire in 2020 unless previously utilized. State loss carryforwards of approximately $0.3 million expired in 2019, and approximately $0.6 million is set to expire in 2020, unless previously utilized. We also have federal and California research and other credit carryforwards of approximately $0.8 million and $2.1 million, respectively, as of December 31, 2019. The federal credits will begin to expire in 2020. The California research credits have no expiration. Pursuant to Internal Revenue Code Sections 382 and 383, use of our net operating loss and credit carryforwards may be limited because of a cumulative change in ownership greater than 50%. As of December 31, 2019, Digirad Corporation has not experienced a change in ownership greater than 50%; however, some of the tax attributes acquired with the DMS Health businesses are subject to such limitations due to ownership changes of greater than 50% that may have occurred or which may occur in the future. A valuation allowance has been recognized to offset the deferred tax assets, as realization of such assets has not met the “more likely than not” threshold required under the authoritative guidance of accounting for income taxes. In addition, the net operating losses acquired in the ATRM Acquisition are also limited under section 382.The Company recognized approximately $11.6 million of net operating losses acquired via ATRM, net of the section 382 limitations. However, the Company has a full valuation allowance against these net operating losses, consistent with its treatment of all of its deferred tax assets.

The following table summarizes the activity related to our unrecognized tax benefits (in thousands):

	December 31, 2019	December 31, 2018
Balance at beginning of year	$ 3,610	$ 3,936
Expiration of the statute of limitations for the assessment of taxes	(669)	(326)
Balance at end of year	$ 2,941	$ 3,610

Included in the unrecognized tax benefits of $2.9 million at December 31, 2019 was $2.5 million of tax benefits that, if recognized, would reduce our annual effective tax rate, subject to the valuation allowance. We do not expect our unrecognized tax benefits to change significantly over the next 12 months.

We file income tax returns in the U.S. and in various state jurisdictions with varying statutes of limitations. We are no longer subject to income tax examination by tax authorities for years prior to 2015; however, our net operating loss carryforwards and research credit carryforwards arising prior to that year are subject to adjustment. Our policy is to recognize interest expense and penalties related to income tax matters as a component of income tax expense. The accrued interest as of December 31, 2019 and 2018, and interest and penalties recognized during the years ended December 31, 2019 and 2018 were of insignificant amounts.

Tax Cuts and Jobs Act

The Company applied the guidance in SAB 118 when accounting for the enactment-date effects of the Tax Cuts and Jobs Act (the “Tax Act”) in 2017 and throughout 2018. At December 31, 2017, the Company had not completed its accounting for all of the enactment-date income tax effects of the Tax Act under ASC 740, Income Taxes, related to the recognition of the provisional tax impacts related to its Internal Revenue Code Section 162(m) limitations and the potential impact on its equity compensation deferred tax assets. At December 31, 2018, the Company completed its accounting for all of the enactment-date income tax effects of the Tax Act and no net tax adjustments were made to the provisional amounts recorded at December 31, 2017.

Note 14. Employee Retirement Plan

Employees of the Company’s Healthcare Division have a 401(k) retirement plan under which employees may contribute up to 100% of their annual salary, within IRS limits. The Company contributions to the retirement plans totaled $0.3 million and $0.3 million for the years ended December 31, 2019 and 2018, respectively.

Note 15. Related Party Transactions

Perma-Fix

Mr. John Climaco currently serves as a Director of the Company and a member of the Audit and Strategic Advisory committees of the Board. Until July 11, 2017, Mr. Climaco also served as a Director of Perma-Fix Environmental Services, Inc. (NASDAQ: PESI). Further, from June 2, 2015 until July 11, 2017, Mr. Climaco served as the Executive Vice President of Perma-Fix Medical S.A., a majority-owned Polish subsidiary of Perma-Fix Environmental Services, Inc. On July 27, 2015, we entered into a Stock Subscription Agreement (the "Subscription Agreement") and Tc-99m Supplier Agreement (the "Supply Agreement") with Perma-Fix Medical. Under the terms of the Subscription Agreement, we invested $1.0 million USD in exchange for 71,429 shares of Perma-Fix Medical. Pursuant to the Supply Agreement, should Perma-Fix Medical successfully complete development of the new Tc-99m resin, Perma-Fix Medical will supply us or our preferred nuclear pharmacy supplier with Tc-99m at a preferred rate and we will purchase agreed upon quantities of such Tc-99m for our nuclear imaging operations, either directly or in conjunction with our preferred nuclear pharmacy supplier. As of December 31, 2019, the fair market value of the securities is $43 thousand. In addition, in connection with the Subscription Agreement, the Company's President and CEO was appointed to the Supervisory Board of Perma-Fix Medical.

Eberwein Guarantees

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

On January 31, 2020, contemporaneously with the execution and delivery of the Star Loan Agreement, Mr. Eberwein, the Chairman of the Company's board of directors, executed and delivered a Guaranty (the Gerber Eberwein Guaranty) to Gerber pursuant to which he guaranteed the performance of all the Star Borrowers' obligations to Gerber under the Star Loan Agreement, including the full payment of all indebtedness owing by the Star Borrowers to Gerber under or in connection with the Star Loan Agreement and related financing documents. Mr. Eberwein's obligations under the Gerber Eberwein Guaranty are limited in the aggregate to the amount of (a) $2.5 million, plus (b) costs of Gerber incidental to the enforcement of the Gerber Eberwein Guaranty or any guaranteed obligations.

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

ATRM

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

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

As of December 31, 2019, Mr. Eberwein owned approximately 4.3% of the outstanding Digirad common stock. In addition, as of December 31, 2019, Mr. Eberwein owned 1,196,926 shares of Company Preferred Stock, and LSVI owned 300,000 shares of Company Preferred Stock. Mr. Eberwein as the CEO of LSVM, which is the investment advisor of LSVI, and as the sole manager of LSV GP, which is the general partner of LSVI Mr. Eberwein may be deemed the beneficial owner of the securities held by LSVI. Mr. Eberwein disclaims beneficial ownership of Company Preferred Stock, except to the extent of his pecuniary interest therein.

Private Placement

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

At the closing of the Private Placement, the Company and LSVI entered into a Registration Rights Agreement, dated as of September 10, 2019 (the “Registration Rights Agreement”), pursuant to which Digirad agreed to file a registration statement with the SEC, covering the resale of the shares of Company Preferred Stock issued in the Private Placement, if and upon the written request of the Private Placement investors at any time on or before September 10, 2021. Digirad is obligated to maintain the effectiveness of the registration statement from its effective date until the later of (a) the date on which all registrable shares covered by the registration statement have been sold, or may be sold without volume or manner of sale restrictions under Rule 144 or (b) the second anniversary of the closing date. Digirad agreed to use commercially reasonable efforts to have the registration statement declared effective by the SEC as soon as possible following the filing thereof.

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

ATRM Notes Payable

ATRM, a wholly owned subsidiary of the Company as a result of the ATRM Merger, has the following related party promissory notes outstanding:

(i) Unsecured promissory note (principal amount of $0.6 million payable to LSV Co-Invest I), with interest payable semi-annually at a rate of 10.0% per annum (LSV Co-Invest I may elect to receive interest in-kind at a rate of 12.0% per annum), with any unpaid principal and interest due on January 12, 2020 (the “January Note”). On November 13, 2019, LSV Co-Invest I extended the maturity date of the January Note from January 12, 2020, to the earlier of (i) October 1, 2020 and (ii) the date when the January Note is no longer subject to a certain Subordinate Agreement dated January 12, 2018, as amended, in favor of Gerber.

(ii) Unsecured promissory note (principal amount of $1.0 million payable to LSV Co-Invest I), with interest payable semi-annually at a rate of 10.0% per annum (LSV Co-Invest I may elect to receive interest in-kind at a rate of 12.0% per annum), with any unpaid principal and interest due on June 1, 2020 (the “June Note”). On November 13, 2019 LSV Co-Invest I also extended the maturity date of the June Note from June 1, 2020, to the earlier of (i) October 1, 2020 and (ii) the date when the January Note is no longer subject to a certain Subordinate Agreement dated June 1, 2018, as amended, in favor of Gerber Finance.

(iii) Unsecured promissory note (principal amount of $0.3 million payable to LSVM), with interest payable annually at a rate of 10.0% per annum (LSVM may elect to receive any interest payment entirely in-kind at a rate of 12.0% per annum), with any unpaid principal and interest due on November 30, 2020 (the “LSVM Note”).

LSVM and LSV Co-Invest I on July 17, 2019, waived any right to accelerate payment with respect to the ATRM Merger under the LSVM Note, the January Note, and the June Note. In March 2020, Mr. Eberwein, sole manager of LSV Co-Invest I, LSVM, provided the Company Letter of Support of above notes indicating that the Holder will take no adverse action against ATRM for failure to pay the principal due on the Note by the maturity date and intends to work with Digirad and ATRM to assure the financial success of the Company.

Subordination Agreement

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

Acquisition of LSVM

On April 1, 2019, ATRM entered into a Membership Interest Purchase Agreement (the "LSVM Purchase Agreement") with LSVM and Mr. Eberwein. Pursuant to the terms of the LSVM Purchase Agreement, Mr. Eberwein sold all of the issued and outstanding membership interests of LSVM to ATRM (the "LSVM Acquisition") for a purchase price of $100.00, subject to a working capital adjustment provision. The LSVM Acquisition closed simultaneously with the execution and delivery of the LSVM Purchase Agreement, and was deemed effective as of January 1, 2019 for accounting purposes, as a result of which LSVM became a wholly-owned subsidiary of ATRM. Pursuant to the LSVM Purchase Agreement, the current assets as well as the $0.3 million promissory note issued by ATRM and current liabilities existing prior to January 1, 2019 remain with Mr. Eberwein. Cash contributions made by Mr. Eberwein subsequent to the ATRM Acquisition also exist as a payment due to Mr. Eberwein by ATRM. The LSVM Purchase Agreement contains representations, warranties, covenants and indemnification provisions customary for transactions of this type. LSVM was acquired by the Company as part of the ATRM Acquisition.

Financial Assistance

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

Joint Venture

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

As of December 31, 2019, and upon the completion of the ATRM Merger, Star Procurement became wholly owned subsidiary of the Company.

Note Receivable

On December 14, 2018, the Company received an unsecured promissory note from ATRM in the principal amount of $0.3 million (the "ATRM Note") in exchange for a loan to ATRM in the same amount. The ATRM Note bears interest at 10% per annum for the first 12 months of its term, and at 12% per annum for the remaining 12 months. All unpaid principal and interest is due on December 14, 2020. ATRM may prepay the note at any time after a specified amount of advance notice to the Company. The ATRM Note provides for customary events of default, the occurrence of any of which may result in the principal and unpaid interest then outstanding becoming immediately due and payable. The ATRM Note was included in other assets in the consolidated balance sheets.

As of December 31, 2019, and upon the completion of the ATRM Merger, the note receivable was effectively settled.

Acquisitions and Leases of Maine Facilities

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

Waterford

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

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

Paris

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

Lease of Maine Facilities

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

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

As of December 31, 2019 and upon the completion of the ATRM Merger, the Waterford Lease, the Park Lease and the Oxford Lease are treated as intercompany transactions and eliminated in the consolidated financial statements.

Note 16. Segments

As of December 31, 2019, our business is organized into five reportable segments:

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

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

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

Mobile Healthcare. Through Mobile Healthcare, we provide contract diagnostic imaging, including computerized tomography ("CT"), magnetic resonance imaging ("MRI"), positron emission tomography ("PET"), PET/CT, and nuclear medicine and healthcare expertise to hospitals, integrated delivery networks ("IDNs"), and federal institutions on a long-term contract basis, as well as provisional (short-term) services to institutions that are in transition. These services are provided primarily when there is a cost, ease, and efficiency component of providing the services directly rather than owning and operating the related services and equipment directly by our customers.

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

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

Real Estate and Investments. As part of the HoldCo Conversion, Digirad formed a real estate division under a newly formed subsidiary named SRE for the purposes of holding significant real estate assets that Digirad acquires. As an initial transaction to create Digirad's real estate division under SRE and launch that aspect of the HoldCo Conversion, in April 2019, Digirad funded the initial purchase of three manufacturing facilities in Maine that manufacture modular buildings and leased those three properties. The funding of the assets acquisition was primarily through the revolver loan under our SNB Credit Facility. LSVM which was a wholly owned subsidiary of ATRM on the ATRM Acquisition Date, is a Connecticut based exempt reporting advisor that was acquired by the Company in the ATRM Acquisition. LSVM provides services that include investment advisory services and the servicing of pooled investment vehicles.

Our reporting segments have been determined based on the nature of the products and services offered to customers or the nature of their function in the organization. We evaluate performance based on the gross profit and operating income (loss) excluding litigation reserve expense, goodwill impairment, and transaction and integration costs. The Company does not identify or allocate its assets by operating segments. Accordingly, assets are not being reported by segment because the information is not available by segment and is not reviewed in the evaluation of performance or making decisions in the allocation of resources. Our operating costs included in our shared service functions, which primarily consist of senior executive officers, finance, human resources, legal, and information technology, are allocated to our segments. During the first quarter of 2018, we have classified the results of our MDSS segment as discontinued operations in our consolidated statement of operations for all periods presented. Accordingly, segment results have been recast for all periods presented to reflect MDSS as discontinued operations. As costs of shared service functions previously allocated to MDSS are not allocable to discontinued operations, prior period corporate costs have been reallocated amongst the continuing reportable segments.

Segment information for the years ended December 31, 2019 and 2018 is as follows (in thousands):

	Year ended December 31, 2019	Year ended December 31, 2018
Revenue by segment:		
Diagnostic Services	$ 47,723	$ 49,256
Diagnostic Imaging	13,872	11,983
Mobile Healthcare	41,251	42,941
Building and Construction	11,257	—
Real Estate and Investments	275	—
Corporate, eliminations and other	(193)	—
Consolidated revenue	$ 114,185	$ 104,180
Gross profit by segment:		
Diagnostic Services	$ 10,237	$ 9,447
Diagnostic Imaging	5,135	5,142
Mobile Healthcare	4,956	3,682
Building and Construction	2,013	—
Real Estate and Investments	(33)	—
Corporate, eliminations and other	(193)	—
Consolidated gross profit	$ 22,115	$ 18,271
Income (loss) from operations by segment:		
Diagnostic Services	$ 6,788	$ 4,812
Diagnostic Imaging	3,283	2,752
Mobile Healthcare	1,094	(1,001)
Building and Construction	307	—
Real Estate and Investments	(312)	—
Corporate, eliminations and other	(193)	—
Unallocated corporate and other expenses	(12,221)	(10,125)
Segment loss from operations	(1,254)	(3,562)
Goodwill impairment (1)	—	(476)
Merger and finance costs (2)	(2,342)	—
Loss on sale of buildings	(232)	(507)
Consolidated loss from operations	$ (3,828)	$ (4,545)
Depreciation and amortization by segment:		
Diagnostic Services	$ 1,277	$ 2,127
Diagnostic Imaging	278	313
Mobile Healthcare	5,644	6,266
Building and Construction	711	—
Real Estate and Investments	165	—
Total depreciation and amortization	$ 8,075	$ 8,706

(1) See Note 8. *Goodwill*, for further information.

(2) Reflects legal and other costs related to the ATRM Merger and HoldCo establishment.

Geographic Information. The Company's sales to customers located outside the United States for the years ended December 31, 2019 and 2018 was $0.3 million and $1.2 million, respectively. All of our long-lived assets are located in the United States.

Note 17. Quarterly Financial Information (Unaudited)

The following financial information reflects all normal recurring adjustments, which are, in the opinion of management, necessary for a fair statement of the results of the interim periods. Summarized quarterly data for fiscal 2019 and 2018 are as follows (in thousands, except per share data):

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Fiscal 2019				
Revenues	$ 23,912	$ 25,798	$ 28,333	$ 36,142
Gross profit	$ 3,981	$ 5,004	$ 5,196	$ 7,934
Loss from operations	$ (1,135)	$ (1,378)	$ (1,213)	$ (102)
(Loss) income from continuing operations	$ (1,657)	$ (1,475)	$ (1,504)	$ (257)
Income from discontinued operations	$ —	$ 266	$ —	$ —
Net loss[2]	$ (1,657)	$ (1,209)	$ (1,504)	$ (257)
Deemed dividend on Series A redeemable preferred stock	$ —	$ —	$ —	$ (596)
Net loss attributable to common shareholders	$ (1,657)	$ (1,209)	$ (1,504)	$ (853)
Net (loss) income per share — basic and diluted:				
Net loss from continuing operations [3]	$ (0.82)	$ (0.72)	$ (0.74)	$ (0.42)
Net income from discontinued operations [1]	$ —	$ 0.13	$ —	$ —
Net loss per share — basic and diluted [1]	$ (0.82)	$ (0.59)	$ (0.74)	$ (0.42)
Fiscal 2018				
Revenues	$ 25,465	$ 27,080	$ 25,707	$ 25,928
Gross profit	$ 4,607	$ 5,567	$ 4,358	$ 3,739
Loss from operations	$ (1,609)	$ (248)	$ (783)	$ (1,905)
Loss from continuing operations	$ (1,388)	$ (350)	$ (1,187)	$ (914)
Income (loss) from discontinued operations	$ 5,494	$ —	$ (239)	$ (680)
Net income (loss) [4]	$ 4,106	$ (350)	$ (1,426)	$ (1,594)
Net income (loss) per share — basic and diluted:				
Net loss from continuing operations [1]	$ (0.69)	$ (0.17)	$ (0.59)	$ (0.45)
Net income (loss) from discontinued operations [1]	$ 2.73	$ —	$ (0.12)	$ (0.34)
Net income (loss) per share — basic and diluted [1]	$ 2.04	$ (0.17)	$ (0.71)	$ (0.79)

(1) Earnings per share are computed independently for each of the quarters presented. Therefore, the sum of the quarterly net earnings per share will not necessarily equal the total for the year.

(2) In the third quarter of 2019, the Company completed the acquisition of ATRM. The acquisition-date fair value of the consideration transferred in connection with the ATRM Merger was approximately $17.5 million. See Note 5. *Merger,* within the notes to our accompanying consolidated financial statements for discussion of this merger.

(3) Net income (loss) per share from continuing operations attributable to common shareholders is computed by dividing net income (loss) reduced by preferred stock dividends by the weighted-average number of common shares outstanding during the period. As of December 31, 2019, no dividends have been declared or paid on the Company Preferred Stock.

(4) In the third quarter of 2018, the Company completed the sale of buildings and a portion of land in its Fargo, North Dakota location with a net book value of $1.5 million, for net cash proceeds of approximately $1.0 million, resulting in a loss on sale of $0.5 million, which has been classified as a "Loss on sale of buildings" in the consolidated statement of operations.

Note 18. Redeemable Preferred Stock

Holders of shares of the Company Preferred Stock will be entitled to receive, when, as and if, authorized by the Company's board of directors (or a duly authorized committee of Digirad 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 will be payable quarterly, in arrears, on the last calendar day of March, June, September and December to holders of record at the close of business on the first day of each payment month. As of December 31, 2019, the Company's board has not declared a dividend on the Company Preferred Stock.

A roll forward of the balance of Company Preferred Stock for the year ended December 31, 2019 is as follows (in thousands):

Balance at December 31, 2018	$	—
Issuance of redeemable preferred stock, less issuance costs		19,006
Deemed dividend on redeemable convertible preferred stock		596
Balance at December 31, 2019	$	19,602

Note 19. Subsequent Events

On January 31, 2020, the Company and certain subsidiaries completed two new financing transactions and amended two existing credit facilities in order to finance working capital needs of the Company's Building and Construction division and to refinance certain existing indebtedness. On February 20, 2020, the Star Borrowers entered into a First Star Amendment with Gerber that amended the Star Loan Agreement. See Note 9. Debt, within the notes to our accompanying consolidated financial statements for further details.

On March 5, 2020, the EBGL Borrowers entered into a First Amendment to Loan and Security Agreement Dated January 31, 2020 (the "First EBGL Amendment") with Gerber that amended the EBGL Loan Agreement and the KBS Loan Agreement in order to, among other things, include a pledge $0.3 million of cash collateral by LSVI under the EBGL Loan Agreement which, prior to the First EBGL Amendment, was pledged by LSVI in connection with the KBS Loan Agreement.

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

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

(1) Evaluation of Disclosure Controls and Procedures

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

As further discussed below, we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2019.

The Company closed the acquisition of ATRM on September 10, 2019, and ATRM's total assets and revenues constituted 37.5% and 9.9%, respectively, of the Company's consolidated total assets and revenues as shown on our consolidated financial statements as of and for the year ended December 31, 2019. As the ATRM Acquisition occurred in the third quarter of fiscal 2019, we excluded the internal control over financial reporting of ATRM from the scope of our assessment of the effectiveness of the Company's disclosure controls and procedures. This exclusion is in accordance with the general guidance issued by the Staff of the Securities and Exchange Commission that an assessment of a recently-acquired business may be omitted from the scope of our assessment for a period not to extend beyond one year from the date of acquisition, if specified conditions are satisfied.

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

(2) Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Based on our evaluation under the framework in *Internal Control—Integrated Framework (2013)*, our management concluded that our internal control over financial reporting was effective as of December 31, 2019.

Pursuant to the SEC's general guidance that an assessment of a recently acquired business may be omitted for a period not to exceed one year from the date of acquisition, management has excluded from its assessment at December 31, 2019, the internal control over financial reporting of ATRM because ATRM was acquired by the Company during fiscal 2019. Subsequent to the ATRM Acquisition, certain elements of ATRM's internal control over financial reporting and related processes were being integrated into the Company's existing internal control over financial reporting process. ATRM is a wholly-owned subsidiary of the Company whose total assets and revenues constituted 37.5% and 9.9%, respectively, of the Company's consolidated total assets and revenues as shown on our consolidated financial statements as of and for the year ended December 31, 2019.

(3) Changes in Internal Control over Financial Reporting

Except as described, below, 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 Securities Exchange Act of 1934 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. Subsequent to the ATRM Acquisition on September 10, 2019, certain elements of ATRM's internal control over financial reporting and related processes were being integrated into the Company existing internal control over financial reporting process.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Pursuant to Paragraph G(3) of the General Instructions to Form 10-K, the information required by Part III (Items 10, 11,12, 13, and 14) is being incorporated by reference to the applicable information in our definitive proxy statement (or an amendment to our Annual Report on Form 10-K) to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2019 in connection with our Annual Meeting of Stockholders to be held in 2020.

Code of Ethics

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

ITEM 11. EXECUTIVE COMPENSATION

See Item 10.

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

See Item 10.

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

See Item 10.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

See Item 10.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report:

1. Financial Statements

The financial statements of Digirad Corporation listed below are set forth in Item 8 of this report for the year ended December 31, 2019:

– Report of Independent Registered Public Accounting Firm

– Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2019 and 2018

– Consolidated Balance Sheets at December 31, 2019 and 2018

– Consolidated Statements of Cash Flows for the years ended December 31, 2019 and 2018

– Consolidated Statements of Stockholders' Equity for the years ended December 31, 2019 and 2018

– Notes to Consolidated Financial Statements

2. Financial Statement Schedules

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

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

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

EXHIBIT INDEX

Exhibit Number	Description
2.1	Agreement of Merger and Plan of Reorganization, dated March 5, 2015 by and between Digirad Corporation, Maleah Incorporated, MD Office Solutions and the Stockholders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on March 6, 2015). Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby agrees to furnish supplementary copies of any of the omitted schedules or exhibits upon request by the Commission.
2.2	Stock Purchase Agreement dated as of October 13, 2015, by and among Digirad Corporation, Project Rendezvous Holding Corporation, the stockholders of Project Rendezvous Holding Corporation, and Platinum Equity Advisors, LLC as the stockholder representative (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the Commission on January 7, 2016). Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby agrees to furnish supplementary copies of any of the omitted schedules or exhibits upon request by the Commission.
2.3	Amendment to Stock Purchase Agreement dated as of December 31, 2015, by and between Digirad Corporation and Platinum Equity Advisors, LLC as the stockholder representative (incorporated by reference to Exhibit 2.2 to the Current Report on Form 8-K filed with the Commission on January 7, 2016).
2.4	Second Amendment to Stock Purchase Agreement dated as of June 7, 2016, by and between Digirad Corporation and Platinum Equity Advisors, LLC as the stockholder representative (incorporated by reference to Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 1, 2016).
2.5	Asset Purchase Agreement by and between DMS Health Technologies, Inc., as Seller, and Philips North America LLC, as Buyer dated as of December 22, 2017 (incorporated by reference to Exhibit 2.8 to the Company's Annual Report on Form 10-K filed with the Commission on February 28, 2018). Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby agrees to furnish supplementary copies of any of the omitted schedules or exhibits upon request by the Commission.
2.6	Agreement and Plan of Merger, dated as of July 3, 2019, by and among Digirad Corporation, ATRM Holdings, Inc. and Digirad Acquisition Corporation (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Commission on July 3, 2019).
3.1	Restated Certificate of Incorporation of Digirad Corporation (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on May 3, 2006).
3.2	Certificate of Designation of Rights, Preferences and Privileges of Series B Participating Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 24, 2013).
3.3	Certificate of Amendment of the Restated Certificate of Incorporation of Digirad Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 5, 2015).
3.4	Certificate of Amendment of the Restated Certificate of Incorporation of Digirad Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 1, 2018).
3.5	Amended and Restated Bylaws of Digirad Corporation dated May 4, 2007 and Amendment No. 1 to the Amended and Restated Bylaws of Digirad Corporation dated April 5, 2017 (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 1, 2017).
3.6	Certificate of Amendment of the Restated Certificate of Incorporation of Digirad Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 31, 2019).
3.7	Certificate of Designations, Rights and Preferences of 10% Series A Cumulative Perpetual Preferred Stock of Digirad Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on September 11, 2019).
4.1	Form of Specimen Stock Certificate (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-1 (File No. 333-113760) filed with the Commission on March 19, 2004).
4.2	Preferred Stock Rights Agreement, by and between Digirad Corporation and American Stock Transfer and Trust Company, dated November 22, 2005 (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form 8-A filed with the Commission on November 29, 2005).

Exhibit Number	Description
4.3	Tax Benefit Preservation Plan by and between Digirad Corporation and American Stock Transfer & Trust Company, dated as of May 23, 2013 (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed by the Company with the Commission on May 24, 2013).
4.4	Tax Benefit Preservation Plan Amendment, dated November 11, 2013, by and between the Company and American Stock Transfer & Trust Company, LLC (incorporated by reference to Exhibit 10.26 to the Company's Annual Report on Form 10-K filed with the Commission on March 20, 2014).
4.5	First Amendment to Preferred Stock Rights Agreement, dated as of March 5, 2015, by and between the Company and American Stock Transfer & Trust Company, LLC (incorporated by reference to Exhibit 4.5 to the Company's Annual Report on Form 10-K filed with the Commission on March 6, 2015).
4.6	Promissory Note, dated January 12, 2018, made by ATRM Holdings, Inc. for the benefit of Lone Star Value Co-Invest I, LP (incorporated by reference to Exhibit 4.1 to ATRM Holdings, Inc.'s Current Report on Form 8-K filed with the Commission on January 19, 2018).
4.7	Promissory Note, dated June 1, 2018, made by ATRM Holdings, Inc. for the benefit of Lone Star Value Co-Invest I, LP (incorporated by reference to Exhibit 4.1 to ATRM Holdings, Inc.'s Current Report on Form 8-K filed with the Commission on June 7, 2018).
4.8	Promissory Note, dated December 17, 2018, made by ATRM Holdings, Inc. for the benefit of Lone Star Value Management, LLC (incorporated by reference to Exhibit 4.2 to ATRM Holdings, Inc.'s Current Report on Form 8-K filed with the Commission on December 18, 2018).
10.1#	Digirad Corporation 2004 Stock Incentive Plan, as Amended and Restated on August 2, 2007 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 7, 2007).
10.2#	Form of Notice of Stock Option Award and Stock Option Award Agreement for 2004 Stock Incentive Plan (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K filed with the Commission on March 3, 2005).
10.3#	2004 Non-Employee Director Option Program (incorporated by reference to Exhibit 10.19 to the Company's Amended Registration Statement on Form S-1/A (File No. 333-113760) filed with the Commission on May 24, 2004).
10.4#	Form of Notice of Non-Qualified Stock Option Award and Stock Option Award Agreement for 2004 Non-Employee Director Option Program (incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K filed with the Commission on March 3, 2005).
10.5#	Form of Indemnification Agreement (incorporated by reference to Exhibits 10.20 to the Registration Statement on Form S-1/A (File No. 333-113760) filed with the Commission on April 29, 2004).
10.6#	Employment Agreement, dated as of May 1, 2007, as amended on September 30, 2010, by and between the Company and Matthew G. Molchan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on March 5, 2013).
10.7#	Form of 2011 Inducement Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on July 29, 2011).
10.8#	Form of 2011 Inducement Stock Incentive Plan Stock Option Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on July 29, 2011).
10.9#	Form of 2011 Inducement Stock Incentive Plan Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on July 29, 2011).
10.10#	Digirad Corporation 2014 Equity Incentive Award Plan (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 filed with the Commission on June 6, 2014).
10.11#	Form Indemnification Agreement of the Company for directors and officers (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K filed with the Commission on March 6, 2015).
10.12	Registration Rights Agreement, dated March 5, 2015, by and among the Company, Keenan - Thornton Family Trust, David Keenan and Samia Arram (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 1, 2015).

Exhibit Number	Description
10.13	Credit Agreement dated January 1, 2016, by and among Digirad Corporation, certain subsidiaries of the Digirad Corporation identified on the signature pages thereto, the lenders from time to time party thereto, Wells Fargo Bank, National Association, as agent and as sole lead arranger and sole book runner (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Commission on January 7, 2016).
10.14	Revolving Credit Agreement, dated June 21, 2017, by and among Digirad Corporation and Comerica Bank (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on June 23, 2017).
10.15	Amendment No. 1 To Revolving Credit Agreement, dated January 30, 2018 by and between Digirad Corporation and Comerica Bank (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on February 2, 2018).
10.16	Consolidated Agreements, dated April 1, 2014, between DMS Health Technologies, Inc. and Philips Healthcare, a Division of Philips Electronics North America Corporation (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 3, 2017).
10.17	Amendment, dated June 9, 2015, to the Consolidated Agreements between DMS Health Technologies, Inc. and Philips Healthcare, a Division of Philips Electronics North America Corporation (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 10-Q filed with the Commission on November 3, 2017).
10.18#	Digirad Corporation 2018 Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on May 1, 2018).
10.19#	Form of 2018 Incentive Plan Restricted Stock Unit Agreement (incorporated by reference to Exhibit 99.2 to the Company's Registration Statement on Form S-8 filed with the Commission on November 6, 2018).
10.20#	Form of 2018 Incentive Plan Restricted Stock Unit Agreement (Performance Based) (incorporated by reference to Exhibit 99.3 to the Company's Registration Statement on Form S-8 filed with the Commission on November 6, 2018).
10.21	Amendment No. 2 To Revolving Credit Agreement, dated November 1, 2018 by and between Digirad Corporation and Comerica Bank (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 5, 2018).
10.22#	Employment Agreement, by and between Digirad Corporation and David Noble, dated October 31, 2018 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 5, 2018).
10.23#	Indemnification Agreement, by and between Digirad Corporation and David Noble, dated October 25, 2018 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 5, 2018).
10.24	Limited Liability Company Agreement for Star Procurement, LLC, dated December 14, 2018, by and among Star Procurement LLC, Digirad Corporation and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.31 to the Company's Annual Report on Form 10-K filed with the Commission on March 1, 2019).
10.25	Purchase and Sale Agreement, dated March 27, 2019, by and between RJF – Keiser Real Estate, LLC and 56 Mechanic Falls Road, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on April 3, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.26	Purchase and Sale Agreement, dated April 3, 2019, by and between KBS Builders, Inc. and 947 Waterford Road, LLC (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on April 3, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.27	Purchase and Sale Agreement, dated April 3, 2019, by and between KBS Builders, Inc. and 300 Park Street, LLC (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on April 3, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.28	Lease Agreement, dated April 3, 2019, by and between KBS Builders, Inc. and 947 Waterford Road, LLC (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on April 3, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.

Exhibit Number	Description
10.29	Lease Agreement, dated April 3, 2019, by and between KBS Builders, Inc. and 300 Park Street, LLC (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the Commission on April 3, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.30	Lease Agreement, dated April 3, 2019, by and between KBS Builders, Inc. and 56 Mechanic Falls Road, LLC (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 8, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.31	First Amendment to Lease, dated April 18, 2019, by and between 56 Mechanic Falls Road, LLC and KBS Builders, Inc. (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 8, 2019).
10.32	Loan and Security Agreement, dated March 29, 2019, by and among Digirad Corporation, certain subsidiaries of the Digirad Corporation identified on the signature pages thereto, and Sterling National Bank (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the Commission on April 3, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.33	Voting and Support Agreement, by and among Digirad Corporation, Lone Star Value General Partner, Lone Star Value Investors, LP, Lone Star Value Co-Invest I, LP and Jeffrey Eberwein, dated July 3, 2019 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on July 3, 2019).
10.34	Stock Purchase Agreement, dated as of September 10, 2019, by and between Digirad Corporation and Lone Star Value Investors, LP (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on September 11, 2019).
10.35	Registration Rights Agreement, dated as of September 10, 2019, by and between Digirad Corporation and Lone Star Value Investors, LP (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on September 11, 2019).
10.36	Put Option Purchase Agreement, dated as of September 10, 2019, by and between Digirad Corporation and Jeffrey Eberwein (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on September 11, 2019).
10.37	Consent and Acknowledgment Agreement and Twelfth Amendment to Loan Agreement, dated as of September 10, 2019, by and among Gerber Finance Inc., KBS Builders, Inc., ATRM Holdings, Inc. and Digirad Corporation. (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on September 11, 2019).
10.38	Waiver of Promissory, Note dated July 17, 2019, by Lone Star Value Co-Invest I, LP to Promissory Note dated January 12, 2018, made by ATRM Holdings, Inc. in favor of Lone Star Value Co-Invest I, LP (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2019).
10.39	Waiver of Promissory Note, dated July 17, 2019, by Lone Star Value Co-Invest I, LP to Promissory Note dated June 1, 2018, made by ATRM Holdings, Inc. in favor of Lone Star Value Co-Invest I, LP (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2019).
10.40	Waiver of Promissory Note, dated July 17, 2019, by Lone Star Value Management, LLC to Promissory Note dated December 17, 2018, made by ATRM Holdings, Inc. in favor of Lone Star Value Management, LLC (incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2019).
10.41	Extension/Revision Agreement of Note dated October 1, 2019, by Premier Bank to Promissory Note dated June 30, 2017, made by Glenbrook Building Supply, Inc. and Edgebuilder, Inc. in favor of Premier Bank (incorporated by reference to Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2019).
10.42	Extension/Revision Agreement of Note dated November 1, 2019, by Premier Bank to Promissory Note dated June 30, 2017, made by Glenbrook Building Supply, Inc. and Edgebuilder, Inc. in favor of Premier Bank (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2019).

Exhibit Number	Description
10.43	Loan and Security Agreement, dated as of February 23, 2016, by and among Gerber Finance Inc., KBS Builders, Inc., Maine Modular Haulers, Inc., and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.1 to ATRM Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Commission on May 16, 2016).
10.44	Third Agreement of Amendment to the Loan and Security Agreement, dated as of September 29, 2017, by and among Gerber Finance, Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.3 to ATRM Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Commission on April 16, 2019).
10.45	Revolving Credit Loan Agreement, dated as of June 30, 2017, by and between Glenbrook Building Supply, Inc., EdgeBuilder, Inc. and Premier Bank (incorporated by reference to Exhibit 10.3 to ATRM Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Commission on April 16, 2019).
10.46	Fourth Agreement of Amendment to Loan and Security Agreement, dated as of July 20, 2017, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.1 to ATRM Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Commission on April 16, 2019).
10.47	Fifth Agreement of Amendment to Loan and Security Agreement, dated as of September 29, 2017, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit10.2 to ATRM Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Commission on April 16, 2019).
10.48	Sixth Agreement of Amendment to Loan and Security Agreement, dated as of December 22, 2017, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit10.22 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).
10.49	Securities Purchase Agreement, dated as of January 12, 2018, by and between ATRM Holdings, Inc. and Lone Star Co-Invest I, LP (incorporated by reference to Exhibit 10.1 to ATRM Holdings, Inc.'s Current Report on Form 8-K filed with the Commission on January 19, 2018).
10.50	Securities Purchase Agreement, dated as of June 1, 2018, by and between ATRM Holdings, Inc. and Lone Star Co-Invest I, LP (incorporated by reference to Exhibit 10.1 to ATRM Holdings, Inc.'s Current Report on Form 8-K filed with the Commission on June 7, 2018).
10.51	Eighth Agreement of Amendment to Loan and Security Agreement, dated as of October 1, 2018, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.25 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).
10.52	Securities Purchase Agreement, dated as of December 17, 2018, by and between ATRM Holdings, Inc. and Lone Star Value Management, LLC (incorporated by reference to Exhibit 10.1 to ATRM Holdings, Inc.'s Current Report on Form 8-K filed with the Commission on December 18, 2018).
10.53	Ninth Agreement of Amendment to Loan and Security Agreement, dated as of February 22, 2019, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.29 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).
10.54	Tenth Agreement of Amendment to Loan and Security Agreement, dated as of April 1, 2019, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.30 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).
10.55	Fifth Agreement of Amendment to Loan and Security Agreement, dated as of April 1, 2019, by and among Gerber Finance Inc., Edgebuilder, Inc., Glenbrook Building Supply Inc., ATRM Holdings, Inc. and KBS Builders, Inc. (incorporated by reference to Exhibit 10.31 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).
10.56	Membership Interest Purchase Agreement, dated as of April 1, 2019, by and among ATRM Holdings, Inc., Lone Star Value Management, LLC and Jeffrey E. Eberwein (incorporated by reference to Exhibit 10.3 to ATRM Holdings, Inc.'s Current Report on Form 8-K filed with the Commission on April 26, 2019).
10.57	Eleventh Agreement of Amendment to Loan and Security Agreement, dated as of April 15, 2019, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.39 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).
10.58	Agreement, dated as of May 15, 2019, by and between Digirad Corporation and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.39 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on June 26, 2019).

Exhibit Number	Description
10.59	Loan and Security Agreement, dated January 31, 2020, by and among Star Real Estate Holdings USA, Inc., 300 Park Street, LLC, 947 Waterford Road, LLC, 56 Mechanic Falls Road, LLC, ATRM Holdings, Inc., EdgeBuilder, Inc., Glenbrook Building Supply, Inc., KBS Builders, Inc., Digirad Corporation, and Gerber Finance Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on February 6, 2020). Schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.60	Loan and Security Agreement, dated January 31, 2020, by and among EdgeBuilder, Inc., Glenbrook Building Supply, Inc., Star Real Estate Holdings USA, Inc., 300 Park Street, LLC, 947 Waterford Road, LLC, 56 Mechanic Falls Road, LLC, ATRM Holdings, Inc., KBS Builders, Inc., Digirad Corporation, and Gerber Finance Inc. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on February 6, 2020). Schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.61	Extension and Modification Agreement, dated January 31, 2020, by and among EdgeBuilder, Inc., Glenbrook Building Supply, Inc. and Premier Bank (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on February 6, 2020).
10.62	Thirteenth Amendment to Loan and Security Agreement, dated January 31, 2020, by and among Gerber Finance Inc., KBS Builders, Inc. ATRM Holdings, Inc., and Digirad Corporation (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on February 6, 2020).
10.63*	First Amendment to Loan and Security Agreement, dated February 20, 2020, by and among Star Real Estate Holdings USA, Inc., 300 Park Street, LLC, 947 Waterford Road, LLC, 56 Mechanic Falls Road, LLC and Gerber Finance Inc.
10.64*	First Amendment to Loan and Security Agreement Dated January 31, 2020, dated as of March 5, 2020, by and among Gerber Finance Inc., EdgeBuilder, Inc. and Glenbrook Building Supply, Inc.; and Consent and as a Fourteenth Amendment to Loan and Security Agreement Dated February 23, 2016, by and among Gerber Finance Inc., KBS Builders, Inc., ATRM Holdings, Inc. and Digirad Corporation.
21.1*	Subsidiaries of Digirad Corporation
23.1*	Consent of BDO USA, LLP, Independent Registered Public Accounting Firm
24.1*	Power of Attorney (included on the signature page of this Form 10-K)
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*+	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*+	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.LAB*	XBRL Taxonomy Extension Labels Linkbase
101.PRE*	XBRL Taxonomy Presentation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase

\# Indicates management contract or compensatory plan.

* Filed herewith.

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

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

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

DIGIRAD CORPORATION

Dated: March 9, 2020	By:	/S/ MATTHEW G. MOLCHAN
	Name:	**Matthew G. Molchan**
	Title:	***President and Chief Executive Officer*** ***(Principal Executive Officer)***

Power of Attorney

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

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

Name	Title	Date
/S/ MATTHEW G. MOLCHAN **Matthew G. Molchan**	Director, President, and Chief Executive Officer *(Principal Executive Officer)*	March 9, 2020
/S/ DAVID J. NOBLE **David J. Noble**	Chief Financial Officer and Chief Operating Officer (*Principal Financial and Accounting Officer*)	March 9, 2020
/S/ JEFFREY E. EBERWEIN **Jeffrey E. Eberwein**	Director *(Chairman of the Board of Directors)*	March 9, 2020
/S/ JOHN M. CLIMACO **John M. Climaco**	Director	March 9, 2020
/S/ MITCH I. QUAIN **Mitch I. Quain**	Director	March 9, 2020
/S/ MICHAEL A. CUNNION **Michael A. Cunnion**	Director	March 9, 2020
/S/ JOHN W. SAYWARD **John W. Sayward**	Director	March 9, 2020
/S/ DIMITRIOS J. ANGELIS **Dimitrios J. Angelis**	Director	March 9, 2020

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

Form 10-K/A
Amendment No. 1

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2019
or

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

Digirad Corporation
(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.)
1048 Industrial Court, Suwanee, GA	**30024**
(Address of Principal Executive Offices)	(Zip Code)

(858) 726-1600
(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	**DRAD**	**NASDAQ Global Market**
Series A Cumulative Perpetual Preferred Stock, par value $0.0001 per share	**DRADP**	**NASDAQ Global Market**

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

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

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

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

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

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

Large accelerated filer ☐	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 ☒

The aggregate market value of the voting common stock held by non-affiliates based on the closing stock price on June 30, 2019, was $11.6 million. For purposes of this computation only, all executive officers and directors have been deemed affiliates.

The number of outstanding shares of the registrant's common stock, par value $0.0001 per share, as of March 31, 2020 was 2,055,158.

DOCUMENTS INCORPORATED BY REFERENCE

None

EXPLANATORY NOTE

Digirad Corporation (“Digirad” or the “Company”) is filing this Amendment No. 1 (“Amended Report”) to our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed with the Securities and Exchange Commission (SEC) on March 9, 2020 (“Original Report”), in order to add certain information required by the following items in Part III of Form 10-K:

Item	Description
ITEM 10.	Directors, Executive Officers and Corporate Governance
ITEM 11.	Executive Compensation
ITEM 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters
ITEM 13.	Certain Relationships and Related Transactions, and Director Independence
ITEM 14.	Principal Accounting Fees and Services

We hereby amend Items 10, 11, 12, 13 and 14 of Part III of our Original Report by deleting the text of such Items 10, 11, 12, 13 and 14 in their entirety and replacing them with the information provided below under the respective headings. The Amended Report does not affect any other items in our Original Report. As a result of this amendment, we are also filing as exhibits to this Amended Report the certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and amending Item 15 of Part IV to include such certifications. Because no financial statements are contained in this Amended Report, we are not including certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Except as otherwise expressly stated for the items amended in this Amended Report, this Amended Report continues to speak as of the date of the Original Report and we have not updated the disclosure contained herein to reflect events that have occurred since the filing of the Original Report. Accordingly, this Amended Report should be read in conjunction with our Original Report and our other filings made with the SEC subsequent to the filing of the Original Report. Capitalized terms used but not otherwise defined herein have the meanings ascribed to such terms in the Original Report.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Our Board of Directors

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

Name	Age*	Position	Director Since
Jeffrey E. Eberwein	49	Director, Chairman of the Board	2012
Matthew G. Molchan	53	President, Chief Executive Officer, and Director	2013
Dimitrios J. Angelis	50	Director	2015
Michael A. Cunnion	49	Director	2014
John W. Sayward	68	Director	2008
Mitchell I. Quain	68	Director	2019

*** As of March 31, 2020**

Our Board of Directors

Jeffrey E. Eberwein Age: 49 Director since 2012

Chief Executive Officer of Hudson Global Inc. ("Hudson")

Committees: Corporate Governance

Mr. Eberwein is chairman of the board at Hudson, a global recruitment company. Mr. Eberwein has served as a director of Hudson since May 2014 and as its Chief Executive Officer since April 1, 2018. Mr. Eberwein is also the Chief Executive Officer of Lone Star Value Management, LLC ("LSVM"), a Connecticut based exempt reporting advisor, an investment firm he founded in 2013, of which certain funds it manages are winding down. LSVM was a wholly owned subsidiary of ATRM Holdings, Inc. ("ATRM") when ATRM, a modular building company, was acquired by the Company on September 10, 2019 (the "ATRM Acquisition" or the "ATRM Merger"). Mr. Eberwein joined the Board of Directors of ATRM in January 2013 and became Chairman in November 2013. He has 25 years of Wall Street experience, and has valuable public company and financial expertise gained through his employment history and directorships. Prior to founding LSVM in 2013, Mr. Eberwein was a private investor and served as a portfolio manager at Soros Fund Management from 2009 to 2011 and Viking Global Investors from 2005 to 2008. Previously, Mr. Eberwein served as chairman of the board of Ameri Holdings, Inc. from May 2015 to August 2018. Mr. Eberwein also previously served as a director of Novation Companies, Inc. from April 2015 to March 2018; Crossroads Systems, Inc. from June 2013 to May 2016; NTS, Inc. and On Track Innovations Ltd. from 2012 to 2014 and Goldfield Corporation from 2012 to 2013. Mr. Eberwein earned an MBA from The Wharton School, University of Pennsylvania and a BBA with High Honors from The University of Texas at Austin. The particular experience, qualifications, attributes or skills that led our Board of Directors to conclude that Mr. Eberwein should continue to serve as a director of our Company include his expertise in finance and experience in the investment community.

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

Matthew G. Molchan	Age: 53	Director since 2013

President, Chief Executive Officer of Digirad Corporation

Committees: None

Mr. Molchan's full biographical information is provided under the heading "CORPORATE GOVERNANCE AND ETHICS - Executive Officers."

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

Dimitrios J. Angelis	Age: 50	Director since 2015

Executive Counsel, Life Sciences Law Group

Committees: Compensation, and Corporate Governance (Chairman)

Mr. Angelis was appointed as a director of the Company on July 30, 2015. In addition to Digirad, Mr. Angelis currently serves as a director of The One Group Hospitality, Inc. (STKS) since March 2018, and Ameri100, a position he has held since May 2015. Previously, Mr. Angelis was a director of On Track Innovations Ltd ("OTI") from December 30, 2012 until August 3, 2015. From April 26, 2013 until February 9, 2015, Mr. Angelis served as the OTI's Chairman of the Board of Directors.

Mr. Angelis currently serves as the Principal of Pharma Tech Law, previously Life Science Legal, a post he has held since October 2015. From January 2014 to August 2015 he served as Chief Executive Officer of OTI America (a subsidiary of OTI). Since 2012 until immediately prior to his appointment as Chief Executive Officer of OTI America, Mr. Angelis was the General Counsel of Wockhardt Inc., a global biologics and pharmaceutical company. From 2008 to 2012, Mr. Angelis was a senior counsel in Dr. Reddy's Laboratories, Ltd., a publicly traded pharmaceutical company, and during 2008 he was the Chief Legal Officer and Corporate Secretary of Osteotech, Inc., a publicly traded medical device company. Prior to that, Mr. Angelis worked in the pharmaceutical industry in various corporate, strategic and legal roles, including the corporate department of the New York office of Mayer Brown LLP. Mr. Angelis holds a B.A. in Philosophy and English from Boston College, an M.A. in Behavioral Science from California State University, and Juris Doctor from New York University School of Law and is admitted to practice law in New York and New Jersey.

We believe Mr. Angelis' past positions in the health care industry and his legal experience make him well qualified to serve on our Board of Directors. These experiences allow him to offer unique insight into our operations for the purpose of guiding the Board of Directors to the right legal and strategic decisions.

Michael A. Cunnion Age: 49 Director since 2014

President and Chief Executive Officer, Remedy Health Media

Committees: Audit and Compensation (Chairman)

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

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

John W. Sayward Age: 68 Director since 2008

Retired Partner, Nippon Heart Hospital LLC

Committees: Audit (Chairman) and Compensation

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

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

Mitchell I. Quain Age: 68 Director since 2019

Lead Director, Jason Incorporated

Committees: Audit and Corporate Governance

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

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

Our Executive Officers

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

Name	Age	Position
Matthew G. Molchan	53	President, Chief Executive Officer, and Director
David J. Noble	49	Chief Operating Officer and Chief Financial Officer
Martin B. Shirley	57	President, Digirad Imaging Solutions

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

David J. Noble became our Chief Operating Officer on September 1, 2018, and was appointed our Chief Financial Officer on July 3, 2019, after serving as our Interim Chief Financial Officer since January 15, 2019. Prior to joining the Company, Mr. Noble served as Managing Member of Noble Point LLC, a business and financial advisory firm, from October 2017 to August 2018. From July 2005 to September 2017, Mr. Noble was a senior investment banker at HSBC, serving as Managing Director & Head of Equity Capital Markets for the Americas for more than a decade. Prior to joining HSBC, Mr. Noble held various senior roles within Equity Capital Markets, both in the U.S. and overseas, for Lehman Brothers from August 1997 to July 2005. Mr. Noble earned a B.A. degree from Yale University and an M.B.A. in Finance from MIT.

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

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act, requires Digirad's directors, executive officers, and holders of more than 10% of its common stock to file with the SEC reports regarding their ownership and changes in ownership of Digirad's securities. Based solely on our review of such reports or written representations from certain reporting persons, we believe that, during the fiscal year ended December 31, 2019 (“Fiscal 2019”), our officers, directors and 10% stockholders complied with all applicable Section 16(a) filing requirements applicable to such individuals, other than the inadvertent late filing of one Form 4 for Michael DeBeauvernet reporting one transaction, one Form 4 for Martin B. Shirley reporting two transactions, one Form 4 for David J. Noble reporting one transaction and one Form 4 for Cannell Capital LLC reporting one transaction.

Code of Business Ethics and Conduct

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

Director Nominations

During Fiscal 2019, we made no material changes to the procedures by which stockholders may recommend nominees to our Board of Directors, as described in our most recent proxy statement.

Audit Committee

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

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

Corporate Governance Committee

The Corporate Governance Committee consists of Messrs. Eberwein, Quain and Angelis, with Mr. Angelis serving as chairman. The functions of the Corporate Governance Committee include, among other things: reviewing and recommending nominees for election as directors, assessing the performance of our Board of Directors, developing guidelines for the composition of our Board of Directors, reviewing and administering our corporate governance guidelines and considering other issues relating to corporate governance; and oversight of the Company compliance officer and compliance with the Ethics Code. The Corporate Governance Committee is governed by a written charter (the "Corporate Governance Committee Charter") approved by our Board of Directors. A copy of the Corporate Governance Committee Charter can be found by clicking on the "Corporate Governance" link under the Investors tab on our website at www.digirad.com. All members of the Corporate Governance Committee are independent directors (as defined in Rule 5605(a)(2) of the NASDAQ listing rules), other than Mr. Eberwein. On April 17, 2020, our Board of Directors determined that Mr. Eberwein is no longer independent under the Nasdaq listing rules. Nasdaq Rule 5605(e)(3) permits one non-independent director to serve on the Corporate Governance Committee for a period of up to two years if the Board of Directors has determined that it is in the best interests of the Company and its shareholders. Our Board of Directors has determined that it is in the best interests of the Company and its shareholders for Mr. Eberwein to serve on the Corporate Governance Committee due to his finance expertise, extensive contacts and longtime experience with the Company.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table provides information regarding the compensation earned during the fiscal years ended December 31, 2019 and 2018 by our principal executive officer and our two other most highly compensated executive officers (the "named executive officers") who were serving as executive officers as of December 31, 2019.

Name and Principal Position	Year	Salary ($) (1)	Stock Awards ($) (2) (3)	Nonequity Incentive Plan Compensation ($)(4)	All Other Compensation ($) (5)	Total ($)
Matthew G. Molchan	2019	416,797	103,800	285,662	3,500	809,759
President, Chief Executive Officer	2018	416,797	217,700	—	3,500	637,997
David J. Noble *	2019	301,154	200,000	191,114	3,500	695,768
Chief Operating Officer and Chief Financial Officer						
Martin B. Shirley	2019	261,000	65,000	165,632	1,303	492,935
President, Diagnostic Imaging Solutions	2018	261,000	57,400	—	2,971	321,371

* Mr. Noble was appointed Chief Operating Officer of the Company on September 1, 2018. Mr. Noble was appointed Chief Financial Officer of the Company on July 3, 2019, after serving as Interim Chief Financial Officer of the Company since January 15, 2019.

(1) The base salary for each executive is initially established through negotiation at the time the executive is hired, taking into account his or her scope of responsibilities, qualifications, experience, prior salary, and competitive salary information within our industry. Year-to-year adjustments to each executive officer's base salary are determined by an assessment of his or her sustained performance against individual goals, including leadership skills and the achievement of high ethical standards, the individual's impact on our business and financial results, current salary in relation to the salary range designated for the job, experience, demonstrated potential for advancement, and an assessment against base salaries paid to executives for comparable jobs in the marketplace. Based on the factors discussed above, 2019 base salaries were: Mr. Molchan's 2019 base salary was set at $415,200 which represented no change from his last adjustment in February 2017; Mr. Shirley's 2019 base salary was set at $260,000, which represented no change from his last adjustment in February 2017; Mr. Noble's 2019 base salary was set at $300,000, which represented no change from his 2018 base salary. The differences between base and actual salary are due to pay period timing differences at year end.

(2) Represents full fair value at grant date of restricted stock units ("RSUs"), including the PSUs described in footnote 3 below, representing the right to receive, at settlement, common stock of the Company, granted to our named executive officers, computed in accordance with FASB ASC Topic 718, *Stock Compensation*. The full grant date fair value of an equity award is the maximum value that may be received over the vesting period if all vesting conditions are satisfied, as discussed further below. Thus, there is no assurance that the value, if any, eventually received by our executive officers will correspond to the amount shown. For information regarding assumptions made in connection with this valuation, please see *Note 12. Share-Based Compensation* to our consolidated financial statements found in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 filed on March 9, 2020 (the Original Report).

(3) Included in the stock awards granted in 2018 and 2019 as part of the Company's executive incentive plans for those years (described below), were RSUs with performance conditions (PSUs), which vest ratably over four years subject to continued employment and achievement of performance conditions for each year as determined by the Compensation Committee. The PSUs will be canceled if such performance conditions are not met. The performance conditions for the 2018 PSUs were achieved at 90% of the Board approved budgeted EBITDA, excluding certain predetermined items, for the year ended December 31, 2018, and accordingly the PSUs were canceled. The performance metrics for the 2018 performance period, and a grant date fair value for those tranches of the awards, were established by the Board and Compensation Committee on February 20, 2018. The performance conditions for the 2019 PSUs were achieved at 100% of the Board approved budgeted EBITDA, excluding certain predetermined items, for the year ended December 31, 2019, and the PSUs vested accordingly. The performance metrics for the 2019 performance period, and a grant date fair value for those tranches of the awards, were established by the Board and Compensation Committee on April 30, 2019. As of the grant date, the Company believed that it was probable that the performance criteria would be met and that each individual would remain employed through the date the grant would become fully vested by its terms, and accordingly, the full value of the awards as of the grant date has been included in the table above in accordance with FASB ASC 718. Assuming the performance criteria for 2018 would be achieved, the grant date fair values of the 2018 PSU awards were $0.1 million and $0.03 million for Mr. Molchan and Mr. Shirley, respectively. However, the performance conditions for 2018 were not met. As such, all of the 2018 PSUs, were canceled as of December 31, 2018. The amount of canceled PSUs in 2018 totaled 5,310 units and 1,400 units, for Mr. Molchan and Mr. Shirley, respectively. The performance conditions for 2019 were met. As such, the grant date fair values of the 2019 PSU awards were $0.1 million, and $0.07 million for Mr. Molchan and Mr. Shirley, respectively. The amount of PSUs vests in 2020 totaled 11,580 units.

(4) Represents amounts earned under the Executive Incentive Plans of the Company. The 2019 Executive Incentive Plan for fiscal year ended December 31, 2019 (the "2019 Annual Plan") is described below in the Narrative Disclosure to Summary Compensation Table. As the performance targets for the 2018 Executive Incentive Plan for fiscal year ended December 31, 2018 (the "2018 Annual Plan") were not met, no bonuses were paid under the 2018 Annual Plan.

(5) Amounts shown for 2019 and 2018 include up to $2,500 matching contributions to the officers' 401(k) retirement plans and up to $1,000 seed contribution to the executive's Health Saving Account plans.

Narrative Disclosure to Summary Compensation Table.

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

When determining the base salary component of executive compensation for 2019, the Compensation Committee considered the achievements of the executives in 2018 based on actual financial performance of the business and achievement of the goals set by the Board of Directors for the individual executive, the fiscal 2019 budget and financial performance expectations, the totality of all compensation components. After due consideration, the Compensation Committee set compensation as reflected in the Summary Compensation Table above.

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

Fiscal Year 2019. In May 2019, the Company approved and adopted the 2019 Executive Incentive Plan ("2019 Annual Plan") for executive officers for fiscal year 2019.

For each executive officer, the amount of total cash bonus payable under the 2019 Annual Plan was based on performance above a target measure of consolidated EBITDA for fiscal 2019 (the "Threshold Measure"), subject to other provisions of the 2019 Annual Plan. Payouts under the 2019 Annual Plan were calculated and earned after the Company achieved the Threshold Measure. Once the Threshold Measure was met, the cash bonuses were calculated based on EBITDA amounts achieved above the Threshold Measure. No bonuses were payable to executive officers under the 2019 Annual Plan if the Threshold Measure was not achieved. Each executive officer was able to earn up to 175% of their target bonus based on achievement relative to the Threshold Measure. The actual cash bonuses payable (if any) for the achievement of such objectives was determined by the Compensation Committee, and was payable upon the completion of the financial audit of the consolidated financial statements, but in any event not later than March 15, 2020, subject to each such executive officer's employment through the date of payment.

The target percentage for Mr. Molchan remained at the level established in 2017. The target percentage for Mr. Shirley increased to 50% from the 30% level established in 2017. The target percentage for Mr. Noble was set at 50% in accordance with the Noble Employment Agreement. The cash bonus targets for the named executive officers, pursuant to the 2019 Annual Plan, were approved by the Board after being reviewed by the Compensation Committee and recommended for Board approval.

The eligible target bonus amounts under the 2019 Annual Plan and the actual bonus payouts were as follows.

Name and Principal Position	Target Amount	Actual Payout
Matthew G. Molchan, President and Chief Executive Officer	$ 224,208	$ 285,662
David J. Noble, Chief Operating Officer and Chief Financial Office	150,000	191,114
Martin B. Shirley, President, Digirad Imaging Solutions	130,000	165,632

As the performance targets for the 2018 Annual Plan were not met, no bonuses were paid under the 2018 Annual Plan.

Equity Grants

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

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

The RSU grant to Mr. Noble were made according to the terms of the Noble Employment Agreement (described below) and under the Company's 2018 Incentive Plan. Mr. Noble's RSU grant vested one-third immediately upon grant, with the next one-third vesting upon the first anniversary of the 2019 Grant Date and last one-third vesting upon the second anniversary of the 2019 Grant Date. Mr. Noble did not receive an equity grants under the 2019 Annual Plan.

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

Other Compensation

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

Outstanding Equity Awards at Fiscal Year-End

The following table presents the outstanding equity awards held by each of the named executive officers as of the fiscal year ended December 31, 2019, including the value of the stock awards.

			Option Awards				Stock Awards	
Name	Grant Date		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Matthew G. Molchan	05/15/2019	(6)	—	—	—	—	14,241	37,027
	02/28/2018	(5)	—	—	—	—	3,982	10,353
	02/28/2017	(4)	—	—	—	—	2,098	5,455
	02/01/2016	(3)	3,098	1,033	51.20	02/01/2026	1,022	2,657
	01/29/2014	(2)	11,000	—	35.50	01/29/2021	—	—
	06/04/2013	(1)	8,000	—	22.90	06/04/2020	—	—
David J. Noble	05/15/2019	(7)	—	—	—	—	18,292	47,559
	11/08/2018	(8)	—	—	—	—	1,916	4,982
Martin B. Shirley	05/15/2019	(6)	—	—	—	—	8,918	23,187
	02/28/2018	(5)	—	—	—	—	1,050	2,730
	02/28/2017	(4)	—	—	—	—	553	1,438
	02/01/2016	(3)	680	226	51.20	02/01/2026	224	582
	01/29/2014	(2)	4,000	—	35.50	01/29/2021	—	—
	06/04/2013	(1)	4,000	—	22.90	06/04/2020	—	—

(1) 25% of the total number of shares subject to option vested on the first anniversary of the grant date, and the remaining shares vested monthly over 36 months.

(2) 33 1/3% of the total number of shares subject to option vested on the first anniversary of the grant date, and the remaining shares vested quarterly over 24 months.

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

(4) 25% of the units vested on February 28, 2018, 25% of the units vested on February 28, 2019, 25% of the units vested on February 28, 2020 with the remaining shares to vest 25% on February 28, 2021.

(5) 25% of the units vested on February 1, 2019 and February 1, 2020, with the remaining shares to vest 25% on February 1, 2021 and February 1, 2022.

(6) 50% of the Restricted Stock Units vest on each of May 15, 2020 and May 15, 2021, with vesting of 50% of each such Restricted Stock Unit tranche subject to the satisfaction of certain performance criteria to be determined and approved by the Compensation Committee with respect to each such period.

(7) 33 1/3% of the units vested on May 15, 2019, with the remaining shares to vest 33 1/3% on May 15, 2020 and May 15, 2021.

(8) 33 1/3% of the units vested on November 8, 2018, 33 1/3% of the units vested on November 8, 2019, with the remaining shares to vest 33 1/3% on November 8, 2020.

Potential Payments Upon Termination or Change of Control

Matthew G. Molchan

On May 1, 2007, the Company entered into an employment agreement with Mr. Molchan, which agreement was amended on September 30, 2010 (as amended, the "Molchan Employment Agreement").

Pursuant to the Molchan Employment Agreement, Mr. Molchan can be terminated for "cause" or without "cause." Under the Molchan Employment Agreement, termination for "cause" generally means the termination of Mr. Molchan's employment by reason of: (i) willful misconduct or gross negligence in the performance of duties in the employment agreement; (ii) willful failure or refusal to perform in the usual manner at the usual time those duties which he regularly and routinely performs in connection with the Company's business or such other duties reasonably related to the capacity in which he is employed which may be assigned to him if such failure or refusal has not been substantially cured; (iii) performance of any material action when specifically and reasonably instructed not to do; (iv) engaging or in any manner participating in any activity which is directly competitive with or intentionally injurious to the Company; (v) commission of any fraud, or unauthorized use or appropriation for his personal use or benefit of any funds, properties or opportunities of the Company; (vii) willful or grossly negligent violation of the Code of Ethics of the Company. Termination without "cause" means the termination of Mr. Molchan's employment without "cause" at any time without liability for any reason not specified as a termination for "cause" upon not less than thirty (30) days written notice to Mr. Molchan.

Accordingly, if Mr. Molchan is terminated for "cause" before the last day of any calendar month, he would be entitled to receive compensation for such calendar month at his then current salary prorated to the date of termination on the basis of a 30-day calendar month. He would not be entitled to receive any severance payment. If Mr. Molchan is terminated without "cause," he would be entitled to receive (i) his then current salary and the prorated amount of any accrued but unpaid performance bonus up to and including the date of termination, and (ii) a severance payment equal to six months of his then current salary.

If Mr. Molchan's employment was terminated without "cause" as of December 31, 2019, Mr. Molchan would be entitled to receive his then current salary plus (i) cash and severance payments in the amount of $207,600 and (ii) accrued but unpaid and prorated bonuses in the amount of $285,662.

Equity awards that would have vested upon termination or change of control at December 31, 2019, are described below under the heading "Equity Awards."

David J. Noble

On October 31, 2018, the Company entered into an employment agreement with David J. Noble (the "Noble Employment Agreement").

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

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

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

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

If Mr. Noble's employment was terminated without "cause" as of December 31, 2019, he would have been entitled to receive: (i) a cash payment in the amount of $13,846, (ii) accrued but unpaid and prorated bonuses in the amount of $191,114, (iii) and immediate vesting of equity awards described below under the heading "Equity Awards."

If Mr. Noble's employment was terminated in connection with a change of control as of December 31, 2019, he would have been entitled to receive: (i) a cash payment in the amount of $300,000, (ii) accrued but unpaid and prorated bonuses in the amount of $191,114, (iii) and immediate vesting of equity awards described below under the heading "Equity Awards."

Martin B. Shirley

On January 28, 2014, the Company entered into a severance agreement with Martin B. Shirley (the "Shirley Severance Agreement"). In the event his employment with the Company is terminated without "cause" (as defined below), he would receive a severance payment in an amount equal to six months of his base salary as in effect immediately prior to his termination date. In the event Mr. Shirley's employment with the Company is terminated for "cause" or if he voluntarily terminates his employment with the Company, he will not be entitled to receive a severance payment. Assuming that Mr. Shirley's employment was terminated without "cause" as of December 31, 2019, he would have been entitled to receive severance payments of $130,000.

Under the Shirley Severance Agreement, "cause" generally includes the occurrence of any of the following events: (i) the willful and deliberate failure to perform assigned duties or responsibilities to the Company or the lawful directions of his supervisor after notice from the Company describing his failure to perform such duties or responsibilities and a reasonable time to cure such failure; (ii) engaging in any act of dishonesty, fraud or misrepresentation in connection with his duties; (iii) a willful act constituting gross misconduct that is materially injurious to the Company; (iv) any act of embezzlement against the Company; (v) the breach of any confidentiality agreement or invention assignment agreement or any other written agreement with the Company; or (vi) his indictment for or conviction of, or entering a plea of *nolo contendere* to, a felony.

Equity awards that would have vested upon termination or change of control at December 31, 2019, are described below under the heading "Equity Awards."

Equity Awards

The equity agreements of our named executive officers provide that, in case of a change of control of the Company, all equity instruments then outstanding but neither assumed nor replaced by the successor entity shall vest immediately upon the change of control event. Further, if an executive's employment is terminated without cause within twelve (12) months of the change of control, all equity instruments then outstanding, either assumed or replaced, shall become fully vested at the time of termination. As of December 31, 2019, the value of the equity instruments of our named executive officers that would accelerate upon (i) termination without cause within twelve (12) months of a change of control in which stock options and restricted stock units are assumed or replaced by the successor entity, or (ii) a change of control in which the outstanding stock options and restricted stock units are neither assumed or replaced by the successor entity, would be as follows based on the difference between the closing price on the last trading day of the year of $2.60 per share and the exercise price of the respective options, and with regard to restricted stock units, based solely on the closing price on the last trading day of the year of $2.60:

Name	Option Value as of December 31, 2019	Stock Award Value as of December 31, 2019
Matthew G. Molchan	$ —	$ 55,492
David J. Noble	—	52,541
Martin B. Shirley	—	27,937

COMPENSATION OF DIRECTORS

Cash Retainer Compensation

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

The compensation paid to the members of the Board of Directors is indicated in the chart below:

2019 Director Cash Compensation

(1) Director Annual Retainer (all)	$ 36,000
Additional Annual Retainer to Chairperson	$ 15,000
Additional Annual Retainer to Audit Committee Chairperson	$ 14,500
Additional Annual Retainer to Compensation Committee Chairperson	$ 5,000
Additional Annual Retainer to Corporate Governance Committee Chairperson	$ 5,000
(2) Additional Annual Retainer to Strategic Advisory Committee Chairperson	$ 5,000
Additional Annual Retainer to Audit Committee Member	$ 4,000
Additional Annual Retainer to Compensation Committee Member	$ 4,000
Additional Annual Retainer to Corporate Governance Committee Member	$ 4,000
(2) Additional Annual Retainer to Strategic Advisory Committee Member	$ 4,000

(1) In April 2020, the Board of Directors elected to receive, until further notice, all future payments of annual retainer amounts in Company common stock in lieu of cash.
(2) The Strategic Advisory Committee was dissolved in April 2020.

For the sake of clarity, in fiscal year ended December 31, 2019, each of the Audit Committee, the Compensation Committee, the Corporate Governance Committee, and the Strategic Advisory Committee chairpersons only received an amount equal to the chairperson fee set forth in the table above and not the chairperson fee plus the member fee.

The single employee director of our Board of Directors, Mr. Molchan, our President and Chief Executive Officer, does not receive additional compensation for his service on our Board of Directors.

Equity Compensation

Equity compensation awards, and the amount of such awards, to non-employee members of our Board are at the discretion of the Compensation Committee of our Board. Historically, such awards have been in the form of RSUs and the Compensation Committee generally set the amount of those awards at a fair market value equal to the annual cash retainer received by non-employee members of our Board. However, given the volatility of the Company's stock, the Compensation Committee has more recently determined to fix the amount of RSU awards to non-employee members of our Board at 1,250 RSUs that vest annually. We believe that equity compensation helps to further align the interests of our directors with those of our stockholders because the value of directors' share ownership will rise and fall with that of our other stockholders.

Director Compensation Table

The following table sets forth summary information concerning compensation paid or accrued for services rendered to us in all capacities to the non-employee members of our Board of Directors for the fiscal year ended December 31, 2019.

	Fees Paid in Cash ($)	Stock Awards $ (4)	All Other Compensation ($)	Total ($)
Jeffrey E. Eberwein	57,667	6,238	—	63,905
Dimitrios J. Angelis	88,833	6,238	—	95,071
John M. Climaco (1)	87,500	6,238	—	93,738
Michael A. Cunnion (2)	58,833	6,238	—	65,071
John W. Sayward (3)	55,833	6,238	—	62,071
Mitchell I. Quain	63,383	—	—	63,383

(1) On April 6, 2020, Mr. Climaco resigned from the Board of Directors of the Company and all committees of the Board of Directors effective as of such date. Mr. Climaco holds, in addition to the stock awards noted in the table, outstanding options to purchase an aggregate of 6,000 shares of our common stock at December 31, 2019.

(2) Mr. Cunnion holds, in addition to the stock awards noted in the table, outstanding options to purchase an aggregate of 8,000 shares of our common stock at December 31, 2019.

(3) Mr. Sayward holds, in addition to the stock awards noted in the table, outstanding options to purchase an aggregate of 6,000 shares of our common stock at December 31, 2019.

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

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

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information as of March 31, 2020 regarding the beneficial ownership of our common stock by (i) each person we know to be the beneficial owner of 5% or more of our common stock, (ii) each of our current executive officers, (iii) each of our directors, and (iv) all of our current executive officers and directors as a group. Information with respect to beneficial ownership has been furnished by each director, executive officer or 5% or more stockholder, as the case may be. The address for all executive officers and directors is c/o Digirad Corporation, 13100 Gregg Street, Poway, California 92064.

Percentage of beneficial ownership is calculated based on 2,055,158 shares of common stock outstanding as of March 31, 2020. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission which generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities and includes shares of our common stock issuable pursuant to the exercise of stock options, warrants or other securities that are immediately exercisable or convertible or exercisable or convertible within 60 days of March 31, 2020. Unless otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Shares Beneficially Owned
5% Stockholders:		
Cannell Capital LLC (1) 245 Meriwether Circle Alta, WY 83414	195,390	9.51%
Dimensional Fund Advisors LP (2) Building One, 6300 Bee Cave Road Austin, TX 78746	103,491	5.04%
Named Executive Officers and Directors:		
Jeffrey E. Eberwein (3)	304,340	13.40%
Matthew G. Molchan (4)	48,866	2.34%
John W. Sayward (5)	21,652	1.05%
Michael A. Cunnion (6)	14,250	*
Dimitrios J. Angelis	5,000	*
Mitchell I. Quain	20,481	*
David J. Noble (7)	31,562	1.53%
Marty B. Shirley (8)	16,262	*
All Executive Officers and Directors as a group (8 persons)(9)	462,413	19.78%

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

(1) The foregoing information is based solely on information contained in a Schedule 13G, Amendment 4, filed with the SEC on March 3, 2020, by Cannell Capital LLC.

(2) The foregoing information is based solely on information contained in a Schedule 13G, Amendment 7, filed with the SEC on February 12, 2020 Dimensional Fund Advisors LP.

(3) Includes (a) 216,174 shares of common stock subject to a call option exercisable within 60 days of March 31, 2020, and (b) 88,166 shares of common stock held by Mr. Eberwein.

(4) Includes (a) 23,131 shares of common stock subject to options exercisable within 60 days of March 31, 2020, (b) 7,121 RSUs vesting within 60 days of March 31, 2020, and (c) 18,614 shares of common stock held by Mr. Molchan.

(5) Includes (a) 6,000 shares of common stock subject to options exercisable within 60 days of March 31, 2020 and (b) 15,652 shares of common stock held by Mr. Sayward.

(6) Includes (a) 8,000 shares of common stock subject to options exercisable within 60 days of March 31, 2020 and (b) 6,250 shares of common stock held by Mr. Cunnion.

(7) Includes (a) 9,146 RSUs vesting within 60 days of March 31, 2020, and (b) 22,416 shares of common stock held by Mr. Noble.

(8) Includes (a) 8,906 shares of common stock subject to options exercisable within 60 days of March 31, 2020, (b) 4,459 RSUs vesting within 60 days of March 31, 2020, and (c) 2,897 shares of common stock held by Mr. Shirley.

(9) Includes (a) 262,211 shares of common stock subject to options exercisable within 60 days of March 31, 2020, (b) 20,726 RSUs vesting within 60 days of March 31, 2020, and (c) 179,476 shares of common stock held by our 8 executive officers and directors.

Securities Authorized for Issuance Under Equity Compensation Plans

	Equity Compensation Plan Information As of December 31, 2019					
Plan Category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights** (a)		**Weighted average exercise price of outstanding options, warrants, and rights** (b) (2)		**Number of securities remaining available for future issuance under equity compensation plans (excluding shares reflected in column (a))** (c)	
Equity compensation plans approved by security holders	151,261	(1)	$ 20.02		140,127	(3)
Equity compensation plans not approved by security holders	—		—		—	
Total	151,261		$ 20.02		140,127	

(1) This amount includes the following:
- 54,371 shares issuable upon the exercise of outstanding stock options under the Company's 2004 Stock Incentive 7 Year Plan, the 2004 Stock Incentive Plan, and the 2014 Incentive Plan, with a weighted-average exercise price of $32.93.
- 63,565 RSUs granted under the 2014 Incentive Plan and 2018 Incentive Plan.
- 33,325 PSUs issuable under the Company's 2014 Incentive Plan. Assumes that outstanding performance-based PSUs will vest at target.

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

(3) This amount represents the number of shares available for issuance pursuant to stock options and awards that could be granted in the future under the 2018 Incentive Plan. The 2018 Incentive Plan allows for issuance of up to the sum of (i) 150,000 shares, plus (ii) the number of shares of common stock of the Company which remain available for grants of options or other awards under the 2014 Incentive Plan as of April 27, 2018, plus (iii) the number of shares that, after April 27, 2018, would again become available for issuance pursuant to the reserved share replenishment provisions of the 2014 Incentive Plan as a result of, stock options issued thereunder expiring or becoming unexercisable for any reason before being exercised in full, or, as a result of restricted stock being forfeited to the Company or repurchased by the Company pursuant to the terms of the agreements governing such shares (the shares described in clauses (ii) and (iii) of this sentence, the "Carryover Shares"). As of December 31, 2019, there were 40,621 Carryover Shares.

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

Certain Relationships and Related Transactions

Perma-Fix

Prior to his resignation on April 6, 2020, Mr. John Climaco served as a Director of the Company and a member of the Audit and Strategic Advisory committees of the Board. Until July 11, 2017, Mr. Climaco also served as a Director of Perma-Fix Environmental Services, Inc. (NASDAQ: PESI). Further, from June 2, 2015 until July 11, 2017, Mr. Climaco served as the Executive Vice President of Perma-Fix Medical S.A., a majority-owned Polish subsidiary of Perma-Fix Environmental Services, Inc. On July 27, 2015, we entered into a Stock Subscription Agreement (the "Subscription Agreement") and Tc-99m Supplier Agreement (the "Supply Agreement") with Perma-Fix Medical. Under the terms of the Subscription Agreement, we invested $1 million USD in exchange for 71,429 shares of Perma-Fix Medical. Pursuant to the Supply Agreement, should Perma-Fix Medical successfully complete development of the new Tc-99m resin, Perma-Fix Medical will supply us or our preferred nuclear pharmacy supplier with Tc-99m at a preferred rate and we will purchase agreed upon quantities of such Tc-99m for our nuclear imaging operations, either directly or in conjunction with our preferred nuclear pharmacy supplier. As of December 31, 2019, the fair market value of the securities is $43 thousand. In addition, in connection with the Subscription Agreement, the Company's President and CEO was appointed to the Supervisory Board of Perma-Fix Medical.

Eberwein Guarantees

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

On January 31, 2020, contemporaneously with the execution and delivery of the Star Loan Agreement, Mr. Eberwein, the Chairman of the Company's board of directors, executed and delivered a Guaranty (the Gerber Eberwein Guaranty) to Gerber pursuant to which he guaranteed the performance of all the Star Borrowers' obligations to Gerber under the Star Loan Agreement, including the full payment of all indebtedness owing by the Star Borrowers to Gerber under or in connection with the Star Loan Agreement and related financing documents. Mr. Eberwein's obligations under the Gerber Eberwein Guaranty are limited in the aggregate to the amount of (a) $2.5 million, plus (b) costs of Gerber incidental to the enforcement of the Gerber Eberwein Guaranty or any guaranteed obligations.

On March 5, 2020, contemporaneously with the execution and delivery of the First EBGL Amendment, Mr. Eberwein, the Chairman of the Company's board of directors, executed and delivered a Guaranty (the "EBGL Eberwein Guaranty") to Gerber pursuant to which he guaranteed the performance of all the EBGL Borrowers' obligations to Gerber under the EBGL Loan Agreement, including the full payment of all indebtedness owing by the EBGL Borrowers to Gerber under or in connection with the EBGL Loan Agreement and related financing documents. Mr. Eberwein's obligations under the EBGL Eberwein Guaranty are limited in the aggregate to the amount of (a) $500 thousand, plus (b) costs of Gerber incidental to the enforcement of the EBGL Eberwein Guaranty or any guaranteed obligations.

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

Eberwein Premier Participation

Pursuant to a certain Participation Agreement by and between Mr. Eberwein and Premier, which was signed on March 31, 2020 and is effective as of March 26, 2020, Mr. Eberwein purchased a ratable participation in, and assumed a ratable part of, the aggregate maximum principal amount of the outstanding balance of the loan under the Premier Loan Agreement in the amount of $250 thousand.

ATRM

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

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

As of December 31, 2019, Mr. Eberwein owned approximately 4.3% of the outstanding Digirad common stock. In addition, as of December 31, 2019, Mr. Eberwein owned 1,196,926 shares of Company Preferred Stock, and LSVI owned 0.3 million shares of Company Preferred Stock. Mr. Eberwein as the CEO of LSVM, which is the investment advisor of LSVI, and as the sole manager of LSV GP, which is the general partner of LSVI Mr. Eberwein may be deemed the beneficial owner of the securities held by LSVI. Mr. Eberwein disclaims beneficial ownership of Company Preferred Stock, except to the extent of his pecuniary interest therein.

Private Placement

Immediately prior to the closing of the ATRM Merger, Digirad issued 0.3 million shares of Company Preferred Stock in a private placement (the "Private Placement") to LSVI for a price of $10.00 per share for total proceeds to the Company of $3.0 million. The Private Placement was made pursuant to the terms of a Stock Purchase Agreement, dated as of September 10, 2019 (the "SPA"). The shares of Company Preferred Stock sold in the Private Placement have not been registered under the Securities Act of 1933, as amended (the "Act"), and may not be resold absent registration under, or exemption from registration under, the Act.

At the closing of the Private Placement, the Company and LSVI entered into a Registration Rights Agreement, dated as of September 10, 2019 (the "Registration Rights Agreement"), pursuant to which Digirad agreed to file a registration statement with the SEC, covering the resale of the shares of Company Preferred Stock issued in the Private Placement, if and upon the written request of the Private Placement investors at any time on or before September 10, 2021. Digirad is obligated to maintain the effectiveness of the registration statement from its effective date until the later of (a) the date on which all registrable shares covered by the registration statement have been sold, or may be sold without volume or manner of sale restrictions under Rule 144 or (b) the second anniversary of the closing date. Digirad agreed to use commercially reasonable efforts to have the registration statement declared effective by the SEC as soon as possible following the filing thereof.

In addition, prior to the effective time of the ATRM Merger, the Company entered into a put option purchase agreement with Mr. Eberwein, pursuant to which the Company has the right to require Mr. Eberwein to acquire up to 0.1 million shares of Company Preferred Stock at a price of $10.00 per share for aggregate proceeds of up to $1.0 million at any time, in the Company's discretion, during the 12 months following the effective time of the ATRM Merger (the "Issuance Option"). In March 2020, Mr. Eberwein extended the put option agreement through June 30, 2021.

ATRM Notes Payable

ATRM, a wholly owned subsidiary of the Company as a result of the ATRM Merger, has the following related party promissory notes outstanding:

(i) Unsecured promissory note (principal amount of $0.6 million payable to LSV Co-Invest I), with interest payable semi-annually at a rate of 10.0% per annum (LSV Co-Invest I may elect to receive interest in-kind at a rate of 12.0% per annum), with any unpaid principal and interest due on January 12, 2020 (the "January Note"). On November 13, 2019, LSV Co-Invest I extended the maturity date of the January Note from January 12, 2020, to the earlier of (i) October 1, 2020 and (ii) the date when the January Note is no longer subject to a certain Subordinate Agreement dated January 12, 2018, as amended, in favor of Gerber.

(ii) Unsecured promissory note (principal amount of $1.0 million payable to LSV Co-Invest I), with interest payable semi-annually at a rate of 10.0% per annum (LSV Co-Invest I may elect to receive interest in-kind at a rate of 12.0% per annum), with any unpaid principal and interest due on June 1, 2020 (the "June Note"). On November 13, 2019 LSV Co-Invest I also extended the maturity date of the June Note from June 1, 2020, to the earlier of (i) October 1, 2020 and (ii) the date when the January Note is no longer subject to a certain Subordinate Agreement dated June 1, 2018, as amended, in favor of Gerber Finance.

(iii) Unsecured promissory note (principal amount of $0.3 million payable to LSVM), with interest payable annually at a rate of 10.0% per annum (LSVM may elect to receive any interest payment entirely in-kind at a rate of 12.0% per annum), with any unpaid principal and interest due on November 30, 2020 (the "LSVM Note").

LSVM and LSV Co-Invest I on July 17, 2019, waived any right to accelerate payment with respect to the ATRM Merger under the LSVM Note, the January Note, and the June Note. In March 2020, Mr. Eberwein, sole manager of LSV Co-Invest I, LSVM, provided the Company Letter of Support of above notes indicating that the Holder will take no adverse action against ATRM for failure to pay the principal due on the Note by the maturity date and intends to work with Digirad and ATRM to assure the financial success of the Company.

Subordination Agreement

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

Acquisition of LSVM

On April 1, 2019, ATRM entered into a Membership Interest Purchase Agreement (the "LSVM Purchase Agreement") with LSVM and Mr. Eberwein. Pursuant to the terms of the LSVM Purchase Agreement, Mr. Eberwein sold all of the issued and outstanding membership interests of LSVM to ATRM (the "LSVM Acquisition") for a purchase price of $100.00, subject to a working capital adjustment provision. The LSVM Acquisition closed simultaneously with the execution and delivery of the LSVM Purchase Agreement, and was deemed effective as of January 1, 2019 for accounting purposes, as a result of which LSVM became a wholly-owned subsidiary of ATRM. Pursuant to the LSVM Purchase Agreement, the current assets as well as the $0.3 million promissory note issued by ATRM and current liabilities existing prior to January 1, 2019 remain with Mr. Eberwein. Cash contributions made by Mr. Eberwein subsequent to the ATRM Acquisition also exist as a payment due to Mr. Eberwein by ATRM. The LSVM Purchase Agreement contains representations, warranties, covenants and indemnification provisions customary for transactions of this type. LSVM was acquired by the Company as part of the ATRM Acquisition.

Financial Assistance

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

Joint Venture

On December 14, 2018, Digirad and ATRM, entered into a joint venture and formed Star Procurement, LLC (“Star Procurement”), with Digirad and ATRM each holding a 50% interest. The purpose of the joint venture is to provide the service of purchasing and selling building materials and related goods to KBS with which Star Procurement entered into a Services Agreement on January 2, 2019. In accordance with the terms of the Star Procurement Limited Liability Company Agreement, Digirad made a $1 million capital contribution to the joint venture, which was made in January 2019.

As of December 31, 2019, and upon the completion of the ATRM Merger, Star Procurement became wholly owned subsidiary of the Company.

Note Receivable

On December 14, 2018, the Company received an unsecured promissory note from ATRM in the principal amount of $0.3 million (the “ATRM Note”) in exchange for a loan to ATRM in the same amount. The ATRM Note bears interest at 10% per annum for the first 12 months of its term, and at 12% per annum for the remaining 12 months. All unpaid principal and interest is due on December 14, 2020. ATRM may prepay the note at any time after a specified amount of advance notice to the Company. The ATRM Note provides for customary events of default, the occurrence of any of which may result in the principal and unpaid interest then outstanding becoming immediately due and payable. The ATRM Note was included in other assets in the consolidated balance sheets.

As of December 31, 2019, and upon the completion of the ATRM Merger, the note receivable was effectively settled.

Acquisitions and Leases of Maine Facilities

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

Waterford

On April 3, 2019, 947 Waterford, a wholly-owned subsidiary of SRE, entered into a Purchase and Sale Agreement (the “Waterford Purchase Agreement”) with KBS pursuant to which 947 Waterford closed on the purchase of certain real property and related improvements (including buildings) located in Waterford, Maine (the “Waterford Facility”) from KBS, and acquired the Waterford Facility. The purchase price of the Waterford Facility was $1 million, subject to adjustment for taxes and other charges and assessments.

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

Paris

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

Lease of Maine Facilities

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

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

As of December 31, 2019 and upon the completion of the ATRM Merger, the Waterford Lease, the Park Lease and the Oxford Lease are treated as intercompany transactions and eliminated in the consolidated financial statements.

Director Independence

The Board has determined that each of Michael Cunnion, John Sayward, Mitchell Quain, and Dimitrios Angelis satisfy the criteria for being an "independent director" under the independence standards of Nasdaq (as currently defined in Rule 5605(a)(2) of the NASDAQ rules) and has no material relationship with the Company other than by virtue of his service on the Board. In determining the independence of our directors, the Board of Directors considered all transactions in which the Company and any director had any interest, including those discussed above. A full list of directors is set forth above under "ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE – Our Board of Directors."

The Audit Committee currently consists of Messrs. Quain, Cunnion, and Sayward, with Mrs. Sayward as chairman. All members of the Audit Committee are independent directors as defined in Rule 5605(a)(2) of the NASDAQ listing rules and Rule 10A-3 under the Exchange Act, and no member of the Audit Committee participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years. Prior to his resignation form the Board of Directors on April 6, 2020, Mr. Climaco served on the Audit Committee and was an independent director as defined in applicable Nasdaq rules and Rule 10A-3. Mr. Cunnion was appointed to the Audit Committee following Mr. Climaco's resignation.

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

The Corporate Governance Committee currently consists of Messrs. Eberwein, Quain and Angelis, with Mr. Angelis serving as chairman. All members of the Corporate Governance Committee are independent directors (as defined in Rule 5605(a)(2) of the NASDAQ listing rules), other than Mr. Eberwein. On April 17, 2020, our Board of Directors determined that Mr. Eberwein is no longer independent under the Nasdaq listing rules. Nasdaq Rule 5605(e)(3) permits one non-independent director to serve on the Corporate Governance Committee for a period of up to two years if the Board of Directors has determined that it is in the best interests of the Company and its shareholders. Our Board of Directors has determined that it is in the best interests of the Company and its shareholders for Mr. Eberwein to serve on the Corporate Governance Committee due to his finance expertise, extensive contacts and longtime experience with the Company.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Principal Accounting Fees

In connection with the audit of the 2019 consolidated financial statements, we entered into an engagement agreement with BDO USA, LLP which sets forth the terms by which BDO USA, LLP has performed audit and related professional services for us.

The following table sets forth the aggregate accounting fees paid by us for the past two fiscal years ended December 31, 2019 and 2018. The below fees were paid to the firm BDO USA, LLP; no other accounting firm was retained to perform the identified accounting work for us. All non-audit related services in the table were pre-approved and/or ratified by the Audit Committee of our Board of Directors.

Type of Fee	For the years ended December 31 2019	2018
	(in thousands)	
Audit Fees	$ 786.4	$ 369.8
Audit Related Fees	—	—
Tax Fees	139.2	135.3
Totals	$ 925.6	$ 505.1

Types of Fees Explanation

Audit Fees. Audit fees were incurred for accounting services rendered for the audit of our annual consolidated financial statements and reviews of quarterly consolidated financial statements.

Audit-Related Fees. These fees relate to professional services not included in the Audit Fees category and include professional services related to entering into other advisory services. There were no Audit-Related Fees billed for fiscal years ended December 31, 2019 and 2018.

Tax Fees. These fees were billed to us for professional services relating to tax compliance, tax advice and tax planning.

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

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

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

With respect to the professional services rendered, the Audit Committee had determined that the rendering of all non-audit services by BDO USA, LLP was compatible with maintaining the auditor’s independence and had pre-approved all such services.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report:

1. Financial Statements

The financial statements of Digirad Corporation listed below were set forth in Item 8 of the Original Report:

– Report of Independent Registered Public Accounting Firm

– Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2019 and 2018

– Consolidated Balance Sheets at December 31, 2019 and 2018

– Consolidated Statements of Cash Flows for the years ended December 31, 2019 and 2018

– Consolidated Statements of Stockholders' Equity for the years ended December 31, 2019 and 2018

– Notes to Consolidated Financial Statements

2. Financial Statement Schedules

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

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

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

EXHIBIT INDEX

Exhibit Number	Description
2.1	Agreement of Merger and Plan of Reorganization, dated March 5, 2015 by and between Digirad Corporation, Maleah Incorporated, MD Office Solutions and the Stockholders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on March 6, 2015). Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby agrees to furnish supplementary copies of any of the omitted schedules or exhibits upon request by the Commission.
2.2	Stock Purchase Agreement dated as of October 13, 2015, by and among Digirad Corporation, Project Rendezvous Holding Corporation, the stockholders of Project Rendezvous Holding Corporation, and Platinum Equity Advisors, LLC as the stockholder representative (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the Commission on January 7, 2016). Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby agrees to furnish supplementary copies of any of the omitted schedules or exhibits upon request by the Commission.
2.3	Amendment to Stock Purchase Agreement dated as of December 31, 2015, by and between Digirad Corporation and Platinum Equity Advisors, LLC as the stockholder representative (incorporated by reference to Exhibit 2.2 to the Current Report on Form 8-K filed with the Commission on January 7, 2016).
2.4	Second Amendment to Stock Purchase Agreement dated as of June 7, 2016, by and between Digirad Corporation and Platinum Equity Advisors, LLC as the stockholder representative (incorporated by reference to Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 1, 2016).
2.5	Asset Purchase Agreement by and between DMS Health Technologies, Inc., as Seller, and Philips North America LLC, as Buyer dated as of December 22, 2017 (incorporated by reference to Exhibit 2.8 to the Company's Annual Report on Form 10-K filed with the Commission on February 28, 2018). Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby agrees to furnish supplementary copies of any of the omitted schedules or exhibits upon request by the Commission.
2.6	Agreement and Plan of Merger, dated as of July 3, 2019, by and among Digirad Corporation, ATRM Holdings, Inc. and Digirad Acquisition Corporation (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Commission on July 3, 2019).
3.1	Restated Certificate of Incorporation of Digirad Corporation (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on May 3, 2006).
3.2	Certificate of Designation of Rights, Preferences and Privileges of Series B Participating Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 24, 2013).
3.3	Certificate of Amendment of the Restated Certificate of Incorporation of Digirad Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 5, 2015).
3.4	Certificate of Amendment of the Restated Certificate of Incorporation of Digirad Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 1, 2018).
3.5	Amended and Restated Bylaws of Digirad Corporation dated May 4, 2007 and Amendment No. 1 to the Amended and Restated Bylaws of Digirad Corporation dated April 5, 2017 (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 1, 2017).
3.6	Certificate of Amendment of the Restated Certificate of Incorporation of Digirad Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 31, 2019).
3.7	Certificate of Designations, Rights and Preferences of 10% Series A Cumulative Perpetual Preferred Stock of Digirad Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on September 11, 2019).
4.1	Form of Specimen Stock Certificate (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-1 (File No. 333-113760) filed with the Commission on March 19, 2004).
4.2	Preferred Stock Rights Agreement, by and between Digirad Corporation and American Stock Transfer and Trust Company, dated November 22, 2005 (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form 8-A filed with the Commission on November 29, 2005).

4.3	Tax Benefit Preservation Plan by and between Digirad Corporation and American Stock Transfer & Trust Company, dated as of May 23, 2013 (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed by the Company with the Commission on May 24, 2013).
4.4	Tax Benefit Preservation Plan Amendment, dated November 11, 2013, by and between the Company and American Stock Transfer & Trust Company, LLC (incorporated by reference to Exhibit 10.26 to the Company's Annual Report on Form 10-K filed with the Commission on March 20, 2014).
4.5	First Amendment to Preferred Stock Rights Agreement, dated as of March 5, 2015, by and between the Company and American Stock Transfer & Trust Company, LLC (incorporated by reference to Exhibit 4.5 to the Company's Annual Report on Form 10-K filed with the Commission on March 6, 2015).
4.6	Promissory Note, dated January 12, 2018, made by ATRM Holdings, Inc. for the benefit of Lone Star Value Co-Invest I, LP (incorporated by reference to Exhibit 4.1 to ATRM Holdings, Inc.'s Current Report on Form 8-K filed with the Commission on January 19, 2018).
4.7	Promissory Note, dated June 1, 2018, made by ATRM Holdings, Inc. for the benefit of Lone Star Value Co-Invest I, LP (incorporated by reference to Exhibit 4.1 to ATRM Holdings, Inc.'s Current Report on Form 8-K filed with the Commission on June 7, 2018).
4.8	Promissory Note, dated December 17, 2018, made by ATRM Holdings, Inc. for the benefit of Lone Star Value Management, LLC (incorporated by reference to Exhibit 4.2 to ATRM Holdings, Inc.'s Current Report on Form 8-K filed with the Commission on December 18, 2018).
10.1#	Digirad Corporation 2004 Stock Incentive Plan, as Amended and Restated on August 2, 2007 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 7, 2007).
10.2#	Form of Notice of Stock Option Award and Stock Option Award Agreement for 2004 Stock Incentive Plan (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K filed with the Commission on March 3, 2005).
10.3#	2004 Non-Employee Director Option Program (incorporated by reference to Exhibit 10.19 to the Company's Amended Registration Statement on Form S-1/A (File No. 333-113760) filed with the Commission on May 24, 2004).
10.4#	Form of Notice of Non-Qualified Stock Option Award and Stock Option Award Agreement for 2004 Non-Employee Director Option Program (incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K filed with the Commission on March 3, 2005).
10.5#	Form of Indemnification Agreement (incorporated by reference to Exhibits 10.20 to the Registration Statement on Form S-1/A (File No. 333-113760) filed with the Commission on April 29, 2004).
10.6#	Employment Agreement, dated as of May 1, 2007, as amended on September 30, 2010, by and between the Company and Matthew G. Molchan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on March 5, 2013).
10.7#	Form of 2011 Inducement Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on July 29, 2011).
10.8#	Form of 2011 Inducement Stock Incentive Plan Stock Option Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on July 29, 2011).
10.9#	Form of 2011 Inducement Stock Incentive Plan Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on July 29, 2011).
10.10#	Digirad Corporation 2014 Equity Incentive Award Plan (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 filed with the Commission on June 6, 2014).
10.11#	Form Indemnification Agreement of the Company for directors and officers (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K filed with the Commission on March 6, 2015).
10.12	Registration Rights Agreement, dated March 5, 2015, by and among the Company, Keenan - Thornton Family Trust, David Keenan and Samia Arram (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 1, 2015).
10.13	Credit Agreement dated January 1, 2016, by and among Digirad Corporation, certain subsidiaries of the Digirad Corporation identified on the signature pages thereto, the lenders from time to time party thereto, Wells Fargo Bank, National Association, as agent and as sole lead arranger and sole book runner (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Commission on January 7, 2016).

10.14	Revolving Credit Agreement, dated June 21, 2017, by and among Digirad Corporation and Comerica Bank (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on June 23, 2017).
10.15	Amendment No. 1 To Revolving Credit Agreement, dated January 30, 2018 by and between Digirad Corporation and Comerica Bank (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on February 2, 2018).
10.16	Consolidated Agreements, dated April 1, 2014, between DMS Health Technologies, Inc. and Philips Healthcare, a Division of Philips Electronics North America Corporation (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 3, 2017).
10.17	Amendment, dated June 9, 2015, to the Consolidated Agreements between DMS Health Technologies, Inc. and Philips Healthcare, a Division of Philips Electronics North America Corporation (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 10-Q filed with the Commission on November 3, 2017).
10.18#	Digirad Corporation 2018 Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on May 1, 2018).
10.19#	Form of 2018 Incentive Plan Restricted Stock Unit Agreement (incorporated by reference to Exhibit 99.2 to the Company's Registration Statement on Form S-8 filed with the Commission on November 6, 2018).
10.20#	Form of 2018 Incentive Plan Restricted Stock Unit Agreement (Performance Based) (incorporated by reference to Exhibit 99.3 to the Company's Registration Statement on Form S-8 filed with the Commission on November 6, 2018).
10.21	Amendment No. 2 To Revolving Credit Agreement, dated November 1, 2018 by and between Digirad Corporation and Comerica Bank (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 5, 2018).
10.22#	Employment Agreement, by and between Digirad Corporation and David Noble, dated October 31, 2018 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 5, 2018).
10.23#	Indemnification Agreement, by and between Digirad Corporation and David Noble, dated October 25, 2018 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 5, 2018).
10.24	Limited Liability Company Agreement for Star Procurement, LLC, dated December 14, 2018, by and among Star Procurement LLC, Digirad Corporation and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.31 to the Company's Annual Report on Form 10-K filed with the Commission on March 1, 2019).
10.25	Purchase and Sale Agreement, dated March 27, 2019, by and between RJF – Keiser Real Estate, LLC and 56 Mechanic Falls Road, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on April 3, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.26	Purchase and Sale Agreement, dated April 3, 2019, by and between KBS Builders, Inc. and 947 Waterford Road, LLC (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on April 3, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.27	Purchase and Sale Agreement, dated April 3, 2019, by and between KBS Builders, Inc. and 300 Park Street, LLC (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on April 3, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.28	Lease Agreement, dated April 3, 2019, by and between KBS Builders, Inc. and 947 Waterford Road, LLC (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on April 3, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.29	Lease Agreement, dated April 3, 2019, by and between KBS Builders, Inc. and 300 Park Street, LLC (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the Commission on April 3, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.

10.30	Lease Agreement, dated April 3, 2019, by and between KBS Builders, Inc. and 56 Mechanic Falls Road, LLC (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 8, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.31	First Amendment to Lease, dated April 18, 2019, by and between 56 Mechanic Falls Road, LLC and KBS Builders, Inc. (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 8, 2019).
10.32	Loan and Security Agreement, dated March 29, 2019, by and among Digirad Corporation, certain subsidiaries of the Digirad Corporation identified on the signature pages thereto, and Sterling National Bank (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the Commission on April 3, 2019). The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.33	Voting and Support Agreement, by and among Digirad Corporation, Lone Star Value General Partner, Lone Star Value Investors, LP, Lone Star Value Co-Invest I, LP and Jeffrey Eberwein, dated July 3, 2019 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on July 3, 2019).
10.34	Stock Purchase Agreement, dated as of September 10, 2019, by and between Digirad Corporation and Lone Star Value Investors, LP (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on September 11, 2019).
10.35	Registration Rights Agreement, dated as of September 10, 2019, by and between Digirad Corporation and Lone Star Value Investors, LP (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on September 11, 2019).
10.36	Put Option Purchase Agreement, dated as of September 10, 2019, by and between Digirad Corporation and Jeffrey Eberwein (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on September 11, 2019).
10.37	Consent and Acknowledgment Agreement and Twelfth Amendment to Loan Agreement, dated as of September 10, 2019, by and among Gerber Finance Inc., KBS Builders, Inc., ATRM Holdings, Inc. and Digirad Corporation. (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on September 11, 2019).
10.38	Waiver of Promissory, Note dated July 17, 2019, by Lone Star Value Co-Invest I, LP to Promissory Note dated January 12, 2018, made by ATRM Holdings, Inc. in favor of Lone Star Value Co-Invest I, LP (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2019).
10.39	Waiver of Promissory Note, dated July 17, 2019, by Lone Star Value Co-Invest I, LP to Promissory Note dated June 1, 2018, made by ATRM Holdings, Inc. in favor of Lone Star Value Co-Invest I, LP (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2019).
10.40	Waiver of Promissory Note, dated July 17, 2019, by Lone Star Value Management, LLC to Promissory Note dated December 17, 2018, made by ATRM Holdings, Inc. in favor of Lone Star Value Management, LLC (incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2019).
10.41	Extension/Revision Agreement of Note dated October 1, 2019, by Premier Bank to Promissory Note dated June 30, 2017, made by Glenbrook Building Supply, Inc. and Edgebuilder, Inc. in favor of Premier Bank (incorporated by reference to Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2019).
10.42	Extension/Revision Agreement of Note dated November 1, 2019, by Premier Bank to Promissory Note dated June 30, 2017, made by Glenbrook Building Supply, Inc. and Edgebuilder, Inc. in favor of Premier Bank (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 14, 2019).
10.43	Loan and Security Agreement, dated as of February 23, 2016, by and among Gerber Finance Inc., KBS Builders, Inc., Maine Modular Haulers, Inc., and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.1 to ATRM Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Commission on May 16, 2016).
10.44	Third Agreement of Amendment to the Loan and Security Agreement, dated as of September 29, 2017, by and among Gerber Finance, Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.3 to ATRM Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Commission on April 16, 2019).

10.45	Revolving Credit Loan Agreement, dated as of June 30, 2017, by and between Glenbrook Building Supply, Inc., EdgeBuilder, Inc. and Premier Bank (incorporated by reference to Exhibit 10.3 to ATRM Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Commission on April 16, 2019).
10.46	Fourth Agreement of Amendment to Loan and Security Agreement, dated as of July 20, 2017, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.1 to ATRM Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Commission on April 16, 2019).
10.47	Fifth Agreement of Amendment to Loan and Security Agreement, dated as of September 29, 2017, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit10.2 to ATRM Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Commission on April 16, 2019).
10.48	Sixth Agreement of Amendment to Loan and Security Agreement, dated as of December 22, 2017, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit10.22 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).
10.49	Securities Purchase Agreement, dated as of January 12, 2018, by and between ATRM Holdings, Inc. and Lone Star Co-Invest I, LP (incorporated by reference to Exhibit 10.1 to ATRM Holdings, Inc.'s Current Report on Form 8-K filed with the Commission on January 19, 2018).
10.50	Securities Purchase Agreement, dated as of June 1, 2018, by and between ATRM Holdings, Inc. and Lone Star Co-Invest I, LP (incorporated by reference to Exhibit 10.1 to ATRM Holdings, Inc.'s Current Report on Form 8-K filed with the Commission on June 7, 2018).
10.51	Eighth Agreement of Amendment to Loan and Security Agreement, dated as of October 1, 2018, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.25 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).
10.52	Securities Purchase Agreement, dated as of December 17, 2018, by and between ATRM Holdings, Inc. and Lone Star Value Management, LLC (incorporated by reference to Exhibit 10.1 to ATRM Holdings, Inc.'s Current Report on Form 8-K filed with the Commission on December 18, 2018).
10.53	Ninth Agreement of Amendment to Loan and Security Agreement, dated as of February 22, 2019, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.29 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).
10.54	Tenth Agreement of Amendment to Loan and Security Agreement, dated as of April 1, 2019, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.30 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).
10.55	Fifth Agreement of Amendment to Loan and Security Agreement, dated as of April 1, 2019, by and among Gerber Finance Inc., Edgebuilder, Inc., Glenbrook Building Supply Inc., ATRM Holdings, Inc. and KBS Builders, Inc. (incorporated by reference to Exhibit 10.31 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).
10.56	Membership Interest Purchase Agreement, dated as of April 1, 2019, by and among ATRM Holdings, Inc., Lone Star Value Management, LLC and Jeffrey E. Eberwein (incorporated by reference to Exhibit 10.3 to ATRM Holdings, Inc.'s Current Report on Form 8-K filed with the Commission on April 26, 2019).
10.57	Eleventh Agreement of Amendment to Loan and Security Agreement, dated as of April 15, 2019, by and among Gerber Finance Inc., KBS Builders, Inc. and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.39 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on April 30, 2019).
10.58	Agreement, dated as of May 15, 2019, by and between Digirad Corporation and ATRM Holdings, Inc. (incorporated by reference to Exhibit 10.39 to ATRM Holdings, Inc.'s Annual Report on Form 10-K filed with the Commission on June 26, 2019).
10.59	Loan and Security Agreement, dated January 31, 2020, by and among Star Real Estate Holdings USA, Inc., 300 Park Street, LLC, 947 Waterford Road, LLC, 56 Mechanic Falls Road, LLC, ATRM Holdings, Inc., EdgeBuilder, Inc., Glenbrook Building Supply, Inc., KBS Builders, Inc., Digirad Corporation, and Gerber Finance Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on February 6, 2020). Schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.

10.60	Loan and Security Agreement, dated January 31, 2020, by and among EdgeBuilder, Inc., Glenbrook Building Supply, Inc., Star Real Estate Holdings USA, Inc., 300 Park Street, LLC, 947 Waterford Road, LLC, 56 Mechanic Falls Road, LLC, ATRM Holdings, Inc., KBS Builders, Inc., Digirad Corporation, and Gerber Finance Inc. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on February 6, 2020). Schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Commission on a supplemental basis upon its request.
10.61	Extension and Modification Agreement, dated January 31, 2020, by and among EdgeBuilder, Inc., Glenbrook Building Supply, Inc. and Premier Bank (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on February 6, 2020).
10.62	Thirteenth Amendment to Loan and Security Agreement, dated January 31, 2020, by and among Gerber Finance Inc., KBS Builders, Inc. ATRM Holdings, Inc., and Digirad Corporation (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on February 6, 2020).
10.63	First Amendment to Loan and Security Agreement, dated February 20, 2020, by and among Star Real Estate Holdings USA, Inc., 300 Park Street, LLC, 947 Waterford Road, LLC, 56 Mechanic Falls Road, LLC and Gerber Finance Inc. (filed with the initial filing of the Annual Report on Form 10-K for the year ended December 31, 2019).
10.64	First Amendment to Loan and Security Agreement Dated January 31, 2020, dated as of March 5, 2020, by and among Gerber Finance Inc., EdgeBuilder, Inc. and Glenbrook Building Supply, Inc.; and Consent and as a Fourteenth Amendment to Loan and Security Agreement Dated February 23, 2016, by and among Gerber Finance Inc., KBS Builders, Inc., ATRM Holdings, Inc. and Digirad Corporation. (filed with the initial filing of the Annual Report on Form 10-K for the year ended December 31, 2019).
10.65*#	Severance Agreement, dated January 28, 2014, between Digirad Corporation and Martin B. Shirley.
21.1	Subsidiaries of Digirad Corporation (filed with the initial filing of the Annual Report on Form 10-K for the year ended December 31, 2019).
23.1	Consent of BDO USA, LLP, Independent Registered Public Accounting Firm (filed with the initial filing of the Annual Report on Form 10-K for the year ended December 31, 2019).
24.1	Power Power of Attorney (filed with the initial filing of the Annual Report on Form 10-K for the year ended December 31, 2019).
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed with the initial filing of the Annual Report on Form 10-K for the year ended December 31, 2019).
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed with the initial filing of the Annual Report on Form 10-K for the year ended December 31, 2019).
31.3*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.4*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1+	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished with the initial filing of the Annual Report on Form 10-K for the year ended December 31, 2019).
32.2+	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002(furnished with the initial filing of the Annual Report on Form 10-K for the year ended December 31, 2019).
101.INS	eXtensible Business Reporting Language (XBRL) Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.**
101.SCH	Inline XBRL Taxonomy Extension Schema Document.**
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.**
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.**
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.**
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.**
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

# Indicates management contract or compensatory plan.

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

SIGNATURE

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

DIGIRAD CORPORATION

Dated: April 17, 2020	By:	/S/ Matthew G. Molchan
	Name:	**Matthew G. Molchan**
	Title:	***President and Chief Executive Officer (Principal Executive Officer)***

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

Name	Title	Date
/S/ MATTHEW G. MOLCHAN **Matthew G. Molchan**	Director, President, and Chief Executive Officer *(Principal Executive Officer)*	April 17, 2020
/S/ * **David J. Noble**	Chief Financial Officer and Chief Operating Officer (*Principal Financial and Accounting Officer*)	April 17, 2020
/S/ * **Jeffrey E. Eberwein**	Director *(Chairman of the Board of Directors)*	April 17, 2020
/S/ * **Mitchell I. Quain**	Director	April 17, 2020
/S/ * **Michael A. Cunnion**	Director	April 17, 2020
/S/ * **John W. Sayward**	Director	April 17, 2020
/S/ * **Dimitrios J. Angelis**	Director	April 17, 2020

* By /s/ MATTHEW G. MOLCHAN
Matthew G. Molchan, Attorney-in-fact