As filed with the Securities and Exchange Commission on April 20, 2004

Registration No. 333-113760

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1
to

FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

DIGIRAD CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware	**3845**	**33-0145723**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

13950 Stowe Drive
Poway, California 92064
(858) 726-1600
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

David M. Sheehan
Chief Executive Officer
Digirad Corporation
13950 Stowe Drive
Poway, California 92064
(858) 726-1600
(Name, address, including zip code, and telephone number, including area code, of agent for service)

John A. de Groot, Esq. **Taylor L. Stevens, Esq.** **Kristopher L. Hanson, Esq.** **Morrison & Foerster LLP** **3811 Valley Centre Drive, Suite 500** **San Diego, California 92130** **(858) 720-5100**	**Copies to:** **Vera P. Pardee, Esq.** **Vice-President and General Counsel** **Digirad Corporation** **13950 Stowe Drive** **Poway, California 92064** **(858) 726-1600**	**Charles K. Ruck, Esq.** **Scott N. Wolfe, Esq.** **B. Shayne Kennedy, Esq.** **Latham & Watkins LLP** **12636 High Bluff Drive, Suite 300** **San Diego, California 92130** **(858) 523-5400**

Approximate date of commencement of proposed sale to the public:
As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. o

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

EXPLANATORY NOTE

Digirad Corporation has prepared this Amendment No. 1 to the Registration Statement on Form S-1 (File No. 333-113760) for the purpose of filing with the Securities and Exchange Commission certain exhibits to the Registration Statement and amending Item 14 of the Registration Statement to reflect a change to an exhibit number referenced therein. Amendment No. 1 does not modify any provision of the Prospectus that forms a part of the Registration Statement and accordingly such Prospectus has not been included herein.

PART II—INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the costs and expenses, other than the underwriting discount, payable by the registrant in connection with the sale of common stock being registered. All amounts are estimates except the Securities and Exchange Commission registration fee and the National Association of Securities Dealers Inc. filing fee.

SEC registration fee	$	10,928
NASD filing fee		9,125
Nasdaq National Market application fee		5,000
Nasdaq National Market entry fee		95,000
Nasdaq National Market annual fee (prorated for 2004)		*
Accounting fees and expenses		*
Legal fees and expenses		*
Printing and engraving expenses		*
Blue sky fees and expenses		*
Transfer agent and registrar fees and expenses		*
Miscellaneous		*
Total	$	120,053

* To be filed by amendment.

Item 14. Indemnification of Directors and Officers

As permitted by Section 102 of the Delaware General Corporation Law, we have adopted provisions in our restated certificate of incorporation and restated bylaws, which will become effective following the completion of this offering, that limit or eliminate the personal liability of our directors for a breach of their fiduciary duty of care as a director. The duty of care generally requires that, when acting on behalf of the corporation, directors exercise an informed business judgment based on all material information reasonably available to them. Consequently, a director will not be personally liable to us or our stockholders for monetary damages or breach of fiduciary duty as a director, except for liability for:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- any act related to unlawful stock repurchases, redemptions or other distributions or payment of dividends; or
- any transaction from which the director derived an improper personal benefit.

These limitations of liability do not affect the availability of equitable remedies such as injunctive relief or rescission. Our restated certificate of incorporation also authorizes us to indemnify our officers, directors and other agents to the fullest extent permitted under Delaware law.

As permitted by Section 145 of the Delaware General Corporation Law, our restated bylaws provide that:

- we may indemnify our directors, officers, and employees to the fullest extent permitted by the Delaware General Corporation Law, subject to limited exceptions;

- we may advance expenses to our directors, officers and employees in connection with a legal proceeding to the fullest extent permitted by the Delaware General Corporation Law, subject to limited exceptions; and

- the rights provided in our restated bylaws are not exclusive.

Our restated certificate of incorporation, attached as Exhibit 3.1 hereto, and our restated bylaws, attached as Exhibit 3.2 hereto, provide for the indemnification provisions described above and elsewhere herein. In addition, we have entered into separate indemnification agreements, a form of which is attached as Exhibit 10.20 hereto, with our directors and officers which may be broader than the specific indemnification provisions contained in the Delaware General Corporation Law. These indemnification agreements require us, among other things, to indemnify our officers and directors against liabilities that may arise by reason of their status or service as directors or officers, other than liabilities arising from willful misconduct. These indemnification agreements also require us to advance any expenses incurred by the directors or officers as a result of any proceeding against them as to which they could be indemnified. In addition, we have purchased a policy of directors' and officers' liability insurance that insures our directors and officers against the cost of defense, settlement or payment of a judgment in some circumstances. These indemnification provisions and the indemnification agreements may be sufficiently broad to permit indemnification of our officers and directors for liabilities, including reimbursement of expenses incurred, arising under the Securities Act.

Reference is made to the following documents filed as exhibits to this registration statement regarding relevant indemnification provisions described above and elsewhere in this prospectus:

Document	Exhibit Number
Form of Underwriting Agreement	1.1
Form of Restated Certificate of Incorporation to be in effect upon the closing of this offering	3.1
Form of Restated Bylaws to be in effect immediately upon the closing of this offering	3.2
Form of Indemnification Agreement	10.20

Item 15. Recent Sales of Unregistered Securities

The following list sets forth information regarding all securities we have sold since January 2001. All share amounts and per share prices reflect a 1-for-200 reverse stock split that was effected in October 2002 and a 1-for- reverse stock split to be effected prior to completion of this offering.

(1) In January, March and April 2001, we issued and sold to investors 9,694 shares of our Series E preferred stock, at a purchase price of $607.20 per share, for aggregate consideration of approximately $5.9 million.

(2) In January, March, May, July and December 2001, we issued to certain consultants, in connection with and in partial consideration for services rendered to us, warrants to purchase an aggregate of 1,350 shares of our common stock at exercise prices ranging from $200.00 to $608.00 per share. Upon completion of this offering, these warrants will remain exercisable for an aggregate of 1,350 shares of our common stock at exercise prices ranging from $200.00 to $608.00 per share.

(3) In January and December 2001, we issued to a consulting firm, in connection with and in partial consideration for services rendered to us, warrants to purchase 100 and 25 shares of our common stock, respectively, at an exercise price of $400.00 and $600.00 per share, respectively. Upon completion of this offering, these warrants will remain exercisable for 100 and 25 shares of our common stock, respectively, at an exercise price of $400.00 and $600.00 per share, respectively.

(4) In July 2001, we issued to a commercial lender, in connection with and in partial consideration for a loan we received, a warrant to purchase 213 shares of our Series E preferred stock at an exercise price of $607.20 per share. Upon completion of this offering, this warrant will be immediately exercisable for 213 shares of our common stock at an exercise price of $607.20 per share.

(5) In August 2001, we issued and sold to investors 13,092 shares of our Series F preferred stock, at a purchase price of $650.00 per share, for aggregate consideration of approximately $8.5 million.

(6) In January 2002, we issued to certain existing investors and a new investor convertible promissory notes bearing 12% interest per annum in connection with a borrowing of an aggregate of approximately $2.0 million from those stockholders and that investor.

(7) In January 2002, and in connection with the convertible promissory note issuance described in paragraph (3), we issued and sold the parties referred to in paragraph (3) warrants to purchase an aggregate of 790 shares of our common stock for $0.001 per underlying share. Upon the completion of this offering, these warrants will remain exercisable for an aggregate of 790 shares of our common stock at an exercise price of $300.00 per share.

(8) In April 2002, each of the convertible promissory notes described in paragraph (6) was converted into shares of our Series H preferred stock.

(9) In April, May and June 2002, we issued shares of our Series G preferred stock to existing investors upon their exchange of 9,611 shares of our Series E preferred stock, for no additional consideration to us. Upon the completion of this offering, the 5,447 shares of our Series E preferred stock outstanding as of December 31, 2003 will convert into 5,447 shares of our common stock.

(10) In April, May and June 2002, we issued shares of our Series G preferred stock to existing investors upon their exchange of 12,322 shares of our Series F preferred stock, for no additional consideration to us. Upon the completion of this offering, the 770 shares of our Series F preferred stock outstanding as of December 31, 2003 will convert into approximately 824 shares of our common stock.

(11) In April, May and June 2002, we issued and sold 31,008,401 shares of our Series G preferred stock to existing investors, at a purchase price of $2.00 per share, in exchange for the conversion of outstanding shares of our Series A, Series B, Series C, Series D, Series E and Series F preferred stock having an aggregate liquidation value of approximately $62.0 million.

(12) Following the issuances of our Series G preferred stock referred to in paragraphs (9), (10) and (11), we issued shares of our common stock to existing investors upon their election to convert 24,191 shares of Series G preferred stock. Upon the completion of this offering, the 30,984,210 shares of Series G preferred stock outstanding as of December 31, 2004 will convert into 30,984,210 shares of our common stock.

(13) In April, May and June 2002, and concurrently with the conversion of the outstanding shares of our Series A, Series B, Series C, Series D, Series E and Series F preferred stock described in paragraph (11), we issued and sold to investors 12,561,706 shares of our Series H preferred stock, at a purchase price of $1.40 per share, for aggregate consideration of approximately $17.6 million. Upon the completion of this offering, the 12,561,706 shares of our Series H preferred stock outstanding as of December 31, 2003 will convert into 12,561,706 shares of our common stock.

(14) In March 2002, we issued to two of our consultants, in connection with services rendered to us, warrants to purchase an aggregate of 55 shares of our common stock at an exercise price of $600.00 per share. Upon the completion of this offering, these warrants will remain exercisable for an aggregate of 55 shares of our common stock at an exercise price of $600.00 per share.

(15) In November 2002, we issued to a third party consulting firm, in connection with services rendered to us, warrants to purchase an aggregate of 100,000 shares of our common stock at an exercise price of $1.40 per share. Upon the completion of this offering, these warrants will remain exercisable for an aggregate of 100,000 shares of our common stock at an exercise price of $1.40 per share.

(16) In November 2002, we issued to the two principals of the third party consulting firm described in paragraph (15), in connection with services rendered to us, warrants to purchase an aggregate of 100,000 shares of our common stock at an exercise price of $1.40 per share. Upon the completion of this offering, these warrants will remain exercisable for an aggregate of 100,000 shares of our common stock at an exercise price of $1.40 per share.

(17) In July 2003, we issued to two of our consultants, in connection with services rendered to us, warrants to purchase an aggregate of 1,500 shares of our common stock at an exercise price of $1.40 per share. Upon the completion of this offering, these warrants will remain exercisable for an aggregate of 1,500 shares of our common stock at an exercise price of $1.40 per share.

(18) From January 2001 through February 29, 2004, we granted options to purchase 6,950,370 shares of our common stock to employees, directors and consultants under our 1995 Stock Option/Stock Issuance Plan, 1997 Stock Option/Stock Issuance Plan and 1998 Stock Option/Stock Issuance Plan at exercise prices ranging from $0.14 per share to $608.00 per share. Of the options granted, 5,613,055 remain outstanding, 36,800 shares of common stock have been purchased pursuant to exercises of stock options and 1,323,662 shares have been repurchased or terminated and returned to the stock option pool available under our 1995 Stock Option/Stock Issuance Plan, 1997 Stock Option/Stock Issuance Plan and 1998 Stock Option/Stock Issuance Plan.

The offers, sales, and issuances of the securities described in paragraphs (1), (3) - (13) and (15) were deemed to be exempt from registration under the Securities Act in reliance on Section 4(2) of the Securities Act because the issuance of securities to the recipients did not involve a public offering. The recipients of securities in each such transaction represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the share certificates and warrants issued in such transactions. Each of the recipients of securities in the transactions described in paragraphs (1), (3) - (13) and (15) were accredited or sophisticated persons and had adequate access, through employment, business or other relationships, to information about us.

The offers, sales and issuances of the options and common stock described in paragraphs (2), (14) and (16) - (18) were deemed to be exempt from registration under the Securities Act in reliance on Rule 701 because the transactions were under compensatory benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of such options and common stock were our employees, directors or bona fide consultants and received the securities under our compensatory benefit plans or a contract relating to compensation. Appropriate legends were affixed to the share certificates issued in such transactions. Each of these recipients had adequate access, through employment or other relationships, to information about us.

There were no underwriters employed in connection with any of the transactions set forth in this Item 15.

Item 16. Exhibits and Financial Statement Schedules

(a) The following exhibits are filed herewith:

Exhibit Numbers	Exhibit Description
1.1*	Form of Underwriting Agreement.
3.1*	Form of Restated Certificate of Incorporation to be in effect upon the closing of this offering.
3.2*	Form of Restated Bylaws to be in effect upon the closing of this offering.
4.1*	Form of Specimen Stock Certificate.
4.2**	Amended and Restated Investors' Rights Agreement by and among Digirad Corporation and the investors listed on the schedule attached thereto, dated April 23, 2002.
5.1*	Opinion of Morrison & Foerster LLP.
10.1†	License Agreement by and between Digirad Corporation and the Regents of the University of California, dated May 19, 1999, as amended.
10.2†	Software License Agreement by and between Digirad Corporation and Segami Corporation, dated June 16, 1999.
10.3†	License Agreement by and between Digirad Corporation and Cedars-Sinai Health System, dated May 22, 2001.
10.4†	License Agreement by and between Digirad Corporation and Cedars-Sinai Health System, dated April 1, 2003.
10.5†	Development and Supply Agreement by and between Digirad Corporation and a supplier, dated June 18, 1999
10.6†	Loan and Security Agreement by and between Digirad Corporation and Silicon Valley Bank, dated July 31, 2001, as amended.
10.7	Irrevocable Standby Letter of Credit executed by Silicon Valley Bank in favor of Digirad Corporation, dated November 5, 2003.
10.8**	Loan Agreement by and between Digirad Corporation and Gerald G. Loehr Trust, dated September 1, 1993, as amended.
10.9**	Loan Agreement by and between Digirad Corporation and Clinton L. Lingren, dated September 1, 1993, as amended.
10.10**	Loan Agreement by and between Digirad Corporation and Jack F. Butler, dated September 1, 1993, as amended.
10.11	Equipment Lease Agreement by and between Orion Imaging Systems, Inc. and MarCap Corporation, dated October 1, 2000.
10.12	Equipment Lease Agreement by and between Digirad Imaging Solutions, Inc. and MarCap Corporation, dated June 13, 2003.
10.13	Master Equipment Lease Agreement by and between Digirad Imaging Solutions, Inc. and DVI Financial Services, Inc., dated May 24, 2001.
10.14**	Sublease Agreement by and between Digirad Corporation as sublessee and REMEC, Inc. as sublessor, dated November 3, 2003.
10.15*#	1995 Stock Option/Stock Issuance Plan.
10.16*#	1997 Stock Option/Stock Issuance Plan.
10.17#	1998 Stock Option/Stock Issuance Plan, as amended.
10.18*#	2004 Stock Incentive Plan.
10.19*#	2004 Non-Employee Director Option Program.
10.20*#	Form of Indemnification Agreement.

10.21#†	Letter Agreement by and between Digirad Corporation and David M. Sheehan, dated June 11, 2002.
10.22	Loan and Security Agreement by and between Orion Imaging Systems, Inc., Digirad Imaging Systems, Inc. and Heller Healthcare Finance, Inc., dated January 9, 2001, as amended.
10.23*	Master Lease Agreement by and between Digirad Corporation and GE Healthcare Financial Services, dated September 26, 2000.
10.24†	Consulting Agreement by and between Digirad Corporation and McAdams and Whitham Consulting, dated January 6, 2003.
10.25†	Agreement for Services by and between Digirad Imaging Solutions, Inc. and MBR Associates, Inc., dated April 1, 2002.
10.26	Form of Warrant to purchase shares of Series E Preferred Stock by and among Digirad Corporation and the investors listed on the schedule attached thereto.
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10.29**	Warrant to purchase shares of Series E Preferred Stock by and between Digirad Corporation and Silicon Valley Bank, dated July 31, 2001.
10.30†	Amended and Restated Warrant Issuance Agreement by and between Digirad Corporation and McAdams and Whitham Consulting, LLC and Dr. Stephen A. McAdams and John C. Whitham, dated November 13, 2002.
10.31*	Form of Warrant to purchase shares of Common Stock by and among Digirad Corporation and the investors listed on the schedule attached thereto.
10.32†	Form of Warrant to purchase shares of Common Stock by and among Digirad Corporation and the investors listed on the schedule attached thereto.
10.33†	Form of Warrant to purchase shares of Common Stock by and among Digirad Corporation and the investors listed on the schedule attached thereto.
21.1**	Subsidiaries of Digirad Corporation.
23.1**	Consent of Ernst & Young LLP, Independent Auditors.
23.2*	Consent of Morrison & Foerster LLP (included in Exhibit 5.1).
24.1**	Power of Attorney (included on signature page).

* To be included by amendment.

** Previously filed.

# Indicates management contract or compensatory plan.

† Application has been made to the Securities and Exchange Commission to seek confidential treatment of certain provisions. Omitted material for which confidential treatment has been requested has been filed separately with the Securities and Exchange Commission.

(b) Financial statement schedule.

No financial statement schedules are provided because the information called for is not required or is shown either in the consolidated financial statements or the notes thereto.

Item 17. Undertakings.

The undersigned hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the DGCL, our restated certificate of incorporation or our restated bylaws, the underwriting agreement or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by one of our directors, officers, or controlling persons in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered hereunder, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

We hereby undertake that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by us pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective; and

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and this offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Amendment No. 1 to Registration Statement (No. 333-113769) to be signed on its behalf by the undersigned, thereunto duly authorized in San Diego, California, on this 20th day of April, 2004.

DIGIRAD CORPORATION

By: /s/ DAVID M. SHEEHAN

Name: David M. Sheehan
Title: President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 1 to Registration Statement (No. 333-113769) has been signed by the following persons in the capacities and on the dates indicated:

Name	Title	Date
/s/ DAVID M. SHEEHAN David M. Sheehan	President, Chief Executive Officer and Director (Principal Executive Officer)	April 20, 2004
/s/ TODD P. CLYDE Todd P. Clyde	Chief Financial Officer (Principal Financial and Accounting Officer)	April 20, 2004
* Timothy J. Wollaeger	Chairman of the Board of Directors	April 20, 2004
* Raymond V. Dittamore	Director	April 20, 2004
* Robert M. Jaffe	Director	April 20, 2004
* R. King Nelson	Director	April 20, 2004
* Kenneth E. Olson	Director	April 20, 2004
* Douglas Reed, M.D.	Director	April 20, 2004

*By: /s/ DAVID M. SHEEHAN

David M. Sheehan
Attorney-in-fact

Index to Exhibits

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23.2*	Consent of Morrison & Foerster LLP (included in Exhibit 5.1).
24.1**	Power of Attorney (included on signature page).

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** Previously filed.

# Indicates management contract or compensatory plan.

† Application has been made to the Securities and Exchange Commission to seek confidential treatment of certain provisions. Omitted material for which confidential treatment has been requested has been filed separately with the Securities and Exchange Commission.

QuickLinks

EXHIBIT 10.1

*** CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT (INDICATED BY ASTERISKS) HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT UNDER 17 C.F.R. SECTIONS 200.80(B)(4), 200.83 AND 230.406.

LICENSE AGREEMENT

FOR

DETECTOR

BETWEEN

DIGIRAD CORPORATION

AND

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

THROUGH THE

ERNEST ORLANDO LAWRENCE
BERKELEY NATIONAL LABORATORY

TABLE OF CONTENTS

LICENSE AGREEMENT FOR DETECTOR

This license agreement (the "Agreement") is entered into by The Regents of the University of California ("The Regents"), Department of Energy contract-operators of the Ernest Orlando Lawrence Berkeley National Laboratory, 1 Cyclotron Road, Berkeley, CA 94720, (jointly, "Berkeley Lab"), and Digirad Corporation, ("Digirad") a Delaware corporation, having as its principle place of business, 9350 Trade Place San Diego, California 92126-6330.

1. BACKGROUND

1.1 A certain invention, ***
***
(the "Invention"), was made under U.S. Department of Energy contract
***
*** at the University of California, Ernest Orlando Lawrence Berkeley National Laboratory by Steven Edward Holland.

1.2 As DOE sponsored development of the Invention, this Agreement and the resulting license are subject to overriding obligations to the federal government pursuant to the provisions of the applicable law or regulations.

1.3 Berkeley Lab wants the Invention developed and used to the fullest extent so that the general public enjoys the benefits of the government-sponsored research.

1.4 Digirad wants to obtain certain rights from Berkeley Lab for the commercial development, manufacture, use, and sale of the Invention.

1.5 Digirad entered into an Option Agreement with Berkeley Lab to license the above referenced invention on June 3, 1998.

1.6 Digirad is a "small business firm" as defined at Section 2 of Public Law 85-536 (15 U.S.C. 632).

Therefore the parties agree as follows:

2. DEFINITIONS

2.1 "Effective Date" means the date of execution by the last signing party.

2.2 "Field of Use" means the development, production and use ***
***
***

*** Portions of this page have been omitted pursuant to a request for Confidential Treatment and filed separately with the Commission.

2.3 "Highly Inflationary Currency" means the currency of any economy with a cumulative inflation rate of *** or more over the most recent *** , as measured by consumer price indices published by the *** ***

2.4 "Licensed Patents" means patent rights to any subject matter claimed in or covered by

***
***

*** or any corresponding foreign patent application or patent, for which Digirad has met the requirements of Section 15.2 herein; any division, reexamination, continuation, continuation-in-part (excluding new matter contained and claimed in that continuation-in-part), or of which such application is a successor; any patents issuing on any of the foregoing, and all renewals, reissues and extensions thereof, or other equivalents of a renewal, reissues and extension thereof.

2.5 "Licensed Product" means any product, service or process that employs or is produced by the practice of any invention claimed in Licensed Patents and whose manufacture, use, practice, sale, or lease would constitute, but for the license Berkeley Lab grants to Digirad under this Agreement, an infringement of any claim in Licensed Patents.

2.6 "Selling Price" for the purpose of computing royalties means the price at which Digirad or its sublicensee sells the Licensed Product in an arms-length transaction, less the sum of the following deductions that are customary and actually taken: ***

***
***
***

When a Licensed Product is not sold, but is otherwise disposed of, the Selling Price of that Licensed Product for the purposes of computing royalties is ***

***

*** When such products are not currently being offered for sale by Digirad, the Selling Price of a Licensed Product otherwise disposed of, for the purpose of computing royalties, is ***

***

*** When such products are not currently sold or offered for sale by Digirad or others, then the Selling Price, for the purpose of computing royalties, shall be

***

*** For sales of Licensed Products to a Joint Venture or Affiliate (as defined in Paragraphs 2.7 and 2.8 below) that are provided by Digirad to the Joint Venture or Affiliate (directly or indirectly for resale by said Joint Venture or Affiliate) at a reduced price from that customarily charged to an unrelated third party, then the royalty paid to Berkeley Lab will be based on ***

***

*** For sales of Licensed Products to a Joint

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Venture or Affiliate (as defined in Paragraphs 2.7 and 2.8 below) that are provided directly or indirectly by Digirad to the Joint Venture or Affiliate as an end user at a reduced price from that customarily charged to an unrelated third party, then the royalty paid to Berkeley Lab will be based on *** ***

2.7 "Affiliate(s)" of a party means ***

***
***
***

2.8 "Joint Venture" means any separate entity established pursuant to an agreement between a third party and Digirad to constitute a vehicle for a joint venture, which separate entity purchases, sells or acquires Licensed Products from Digirad at prices substantially different from those at which Digirad would have charged other purchasers that deal at arms length with Digirad. If such separate entity is established, then Berkeley Lab shall collect from Digirad royalties on the Selling Price of Licensed Products by the entity and shall not collect royalties on the Selling Price of Licensed Products by Digirad.

3. LICENSE GRANT

3.1 Subject to the limitations set forth in this Agreement, Berkeley Lab grants to Digirad a nontransferable (subject to Section 18.1), limited (by the terms of Sections 3.2 and 3.7) worldwide exclusive, royalty-bearing license, under Licensed Patents, only in the Field of Use, to develop, make, have made, use, practice, sell, have sold, and lease the Licensed Products.

3.2 Any license under this Agreement is subject to the following: (a) DOE's royalty-free license for federal government practice only, and (b) DOE's option to grant licenses either if reasonable steps to commercialize the Invention are not carried out or in order to meet federal regulations. Digirad shall use best efforts to commercialize Licensed Patents.

3.3 Berkeley Lab also grants to Digirad the right to issue royalty-bearing sublicenses only in the Field of Use to make, use, practice and sell Licensed Products, so long as Digirad has current exclusive rights in the Field of Use.

3.4 Any sublicense Digirad grants must be consistent with all the rights and obligations due Berkeley Lab and the United States Government under this Agreement, including, without limitation, the obligations under Section 3.2 above.

3.5 Digirad shall provide Berkeley Lab with a copy of each sublicense issued under this Agreement; collect payment of all royalties due Berkeley Lab from sublicensees; and summarize and deliver all reports due Berkeley Lab from sublicensees under Article 7 (PROGRESS AND ROYALTY REPORTS).

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3.6 If this Agreement terminates for any reason, *** ***

3.7 Berkeley Lab expressly reserves the right to use the Invention and associated technology for educational and research purposes subject to the limitations of Section 13.2.

4. LICENSE ISSUE FEE

4.1 Digirad shall pay Berkeley Lab a license issue fee of *** *** *** *** *** ***

4.2 This fee is ***

5. ROYALTIES AND PAYMENTS

5.1 Digirad shall pay to Berkeley Lab an earned royalty *** *** of the Selling Price of each Licensed Product Digirad sells.

5.2 Under this Agreement a Licensed Product is considered to be sold when invoiced, or if not invoiced, when delivered to a third party. But when the last patent covering a Licensed Product expires or when the license terminates, any shipment made on or before the day of that expiration or termination that has not been billed out before is considered as sold (and therefore subject to royalty) unless returned to Digirad within *** . Berkeley Lab shall credit royalties that Digirad pays on a Licensed Product that the customer does not accept or returns.

5.3 For each sublicense, Digirad shall pay Berkeley Lab *** *** *** *** *** ***

5.4 Digirad shall pay to Berkeley Lab by *** of each year the difference between the earned royalties for that calendar year Digirad has already paid to Berkeley Lab and the minimum annual royalty set forth in the following schedule. Berkeley Lab shall credit that minimum annual

royalty paid against the earned royalty due and owing for the calendar year in which Digirad made the minimum payment

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CALENDAR YEAR	MINIMUM ANNUAL ROYALTY
---- 1999	$ ***
2000	$ ***
2001	$ ***
2002 and each year thereafter	$ ***

5.5 Digirad shall send payment for royalties accruing to Berkeley Lab *** together with its royalty report under paragraph 7.4. Digirad shall be entitled to credit ***
***
***
***

5.6 Digirad shall make checks payable to "The Regents of the University of California (Berkeley Lab/L-99-1261.)" Digirad shall pay Berkeley Lab only in United States dollars. If a Licensed Product is sold for moneys other than United States dollars (not including Highly Inflationary Currency), Digirad shall ***
***
***
***
If a Licensed Product is sold for a Highly Inflationary Currency, Digirad shall ***
***
***
***
***

5.7 Digirad may not reduce royalties payable by ***
***
***
***

5.8 If Digirad cannot promptly remit any royalties for sales in any country where a Licensed Product is sold because of legal restrictions, Digirad may deposit in United States funds royalties due Berkeley Lab to Berkeley Lab's account in a bank or other depository in that country. If Digirad is not permitted to deposit those payments in U.S. funds under the laws of that country, Digirad may deposit those payments in the local currency to Berkeley Lab's account in a bank or other depository in that country.

5.9 If a court of competent jurisdiction and last resort holds invalid any patent or any of the patent claims within Licensed Patent in a final decision from which no appeal has or can be taken, Digirad's obligation to pay royalties based on that patent or claim will cease as of the date of that final decision. Digirad, however, shall pay any royalties that accrued before that decision or that are based on another patent or claim not involved in that decision.

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5.10 Digirad has no duty to pay Berkeley Lab royalties under this Agreement on a Licensed Product Digirad sells to the United States Government

including any United States Government agency. Digirad shall reduce the amount charged for a Licensed Product sold to the United States Government by an amount equal to the royalty otherwise due Berkeley Lab. Such royalty otherwise due Berkeley Lab will count towards the minimum annual royalty payments per Section 5.4.

6. PERFORMANCE REQUIREMENTS

6.1 Digirad shall proceed with the development, manufacture and sale of Licensed Products and shall use diligent commercial efforts to endeavor to market them within a reasonable time after the Effective Date in quantities sufficient to meet the market demand.

6.2 Digirad shall use diligent commercial efforts to obtain all necessary governmental approvals for the manufacture, use and sale of Licensed Products.

6.3 Digirad is entitled to exercise prudent and reasonable business judgment in meeting its performance requirements under this Agreement.

6.4 If Digirad is unable to perform any of the following, then Berkeley Lab may either terminate this Agreement or reduce this limited exclusive license to a nonexclusive license:

6.4.1 *** *** or

6.4.2 *** *** ***

It is the understanding of the parties hereto that any termination of the Agreement or reduction of this license to a nonexclusive license as a result of Digirad's failure to meet the specifications of Section 6.4, shall be subject to the *** cure period set forth in Section 10.1 below.

6.5 If Berkeley Lab grants a non-exclusive license to any other party upon royalty rates more favorable than those of this Agreement after reducing this license to a non-exclusive license, then *** *** ***

6.6 Digirad and Berkeley Lab by mutual written consent may amend or extend the requirements of Sections 6.4.1-6.4.2 at the written request of Digirad in response to legitimate business reasons.

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7. PROGRESS AND ROYALTY REPORTS

7.1 Beginning June 1, 1999 and *** thereafter, Digirad shall submit to Berkeley Lab a progress report covering Digirad's activities related to the development and testing of all Licensed Products and the obtaining of the governmental approvals necessary for marketing. Digirad shall make these progress reports for each Licensed Product until the first commercial sale of that Licensed Product occurs anywhere in the world.

7.2 The progress reports Digirad submits under Section 7.1 must include, but not be limited to, the following topics:

7.2.1 summary of work completed related to the requirements of Section 6.4;

7.2.2 key scientific discoveries;

7.2.3 summary of work in progress;

7.2.4 current schedule of anticipated milestones;

7.2.5 market plans for introduction of Licensed Products; and

7.2.6 number of full-time equivalent (FTEs) employees or agents working on the development of Licensed Products.

7.3 Digirad shall also report to Berkeley Lab in its immediately subsequent royalty report on the date of first commercial sale of each Licensed Product in the U.S. and in each other country.

7.4 After the first commercial sale of a Licensed Product anywhere in the world, Digirad shall make *** royalty reports to Berkeley Lab on or *** *** Each royalty report must cover the most recently completed *** and must show:

7.4.1 the Selling Price of each type of Licensed Product sold by Digirad;

7.4.2 the number of each type of Licensed Product sold;

7.4.3 the royalties, in U.S. dollars, payable under this Agreement on those sales;

7.4.4 the exchange rates used in calculating the royalty due;

7.4.5 the royalties on government sales that otherwise would have been due under Section 5.10; and

7.4.6 for each sublicense, if any:

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7.4.6.1 the sublicensee;

7.4.6.2 the number, description, and aggregate Selling Prices of Licensed Products that the sublicensee sold or otherwise disposed of;

7.4.6.3 the exchange rates used in calculating the royalties due Berkeley Lab from the sublicensee's sales.

7.5 If no sales of Licensed Products have been made during any reporting period, Digirad shall make a statement to this effect.

8. BOOKS AND RECORDS

8.1 Digirad shall keep books and records accurately showing all Licensed Products manufactured, used, or sold under the terms of this Agreement. Digirad shall preserve those books and records for at least *** from the date of the royalty payment to which they pertain and shall open them to inspection by representatives or agents of Berkeley Lab *** ***

***

8.2 Berkeley Lab shall bear the fees and expenses of Berkeley Lab's representatives performing the examination of the books and records. But if the representatives discover an error resulting in a deficiency in royalties of more than *** of the total royalties due for any year, then Digirad shall bear the fees and expenses of these representatives and the difference between the earned royalties and the reported royalties (which shall be subject to the provisions of Article 20 (LATE PAYMENTS)).

9. LIFE OF THE AGREEMENT

9.1 Unless otherwise terminated by operation of law or by acts of the parties in accordance with the terms of this Agreement, this Agreement is in force from the Effective Date and expires concurrently with the last-to-expire Licensed Patent.

9.2 Any termination of this Agreement shall not affect the rights and obligations set forth in the following Articles:

Article 8	Books and Records
Article 12	Disposition of Licensed Products on Hand upon Termination
Article 13	Use of Names and Trademarks and Nondisclosure of Agreement

Article 14 Limited Warranty

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Article 19 Indemnification

Article 25 Export Control Laws

9.3 Termination does not affect in any manner any rights of Berkeley Lab or Digirad arising under this Agreement before the termination.

10. TERMINATION BY BERKELEY LAB

10.1 If Digirad violates or fails to perform any material term of this Agreement, then Berkeley Lab may give written notice of such default ("Default Notice") to Digirad. If Digirad fails to cure that default and provide Berkeley Lab with reasonable evidence of the cure within *** of the Default Notice, Berkeley Lab may terminate this Agreement and the licenses granted by a second written notice ("Termination Notice") to Digirad. If Berkeley Lab sends a Termination Notice to Digirad, this Agreement automatically terminates on the effective date of the Termination Notice.

11. TERMINATION BY DIGIRAD

11.1 Digirad at any time may terminate this Agreement in whole or as to any portion of Licensed Patents by giving written notice to Berkeley Lab. Digirad's termination of this Agreement will be effective *** after its notice. If that termination is without cause within *** years of the Effective Date, Digirad shall ***

***

12. DISPOSITION OF LICENSED PRODUCTS ON HAND UPON TERMINATION

12.1 Within *** of termination of this Agreement for any reason, Digirad shall provide Berkeley Lab with a written inventory of all Licensed Products in process of manufacture or in stock. Digirad shall make diligent efforts to dispose of those Licensed Products within *** of termination. The sale of any Licensed Product within *** is subject to the terms of this Agreement. Digirad shall cease sales of *** *** after termination.

13. USE OF NAMES AND TRADEMARKS AND NONDISCLOSURE OF AGREEMENT

13.1 In accordance with California Education Code Section 92000, Digirad shall not use in advertising, publicity or other promotional activities any name, trade name, trademark, or other designation of the University of California, nor shall Digirad so use "Berkeley Lab" (including any contraction, abbreviation, or simulation of any of the foregoing) without

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Berkeley Lab's prior written consent. As the sole exception to the above prohibition, Digirad shall give appropriate credit to the inventor(s) and Berkeley Lab at scientific symposia, and in technical publications in scientific journals where the licensed technology is referenced. Berkeley Lab shall not use in advertising, publicity or other promotional activities any name, trade name, or other designation of Digirad without its prior written consent except as set forth in Section 13.2 below.

13.2 Neither party may disclose the terms or existence of this Agreement to a third patty without express written permission of the other party, except when required under either the California Public Records Act or other applicable law or court order or by Berkeley Lab's contracts with the DOE or any other Federal or State entity. Notwithstanding the foregoing, Berkeley Lab may disclose the existence of this Agreement and the extent of the grant in Article 3, but shall not otherwise disclose the terms of this Agreement, except to the DOE.

13.3 The Proprietary Information Exchange Agreement between Digirad and the Regents of the University of California as Managers of the Lawrence Berkeley National Laboratory, as attached hereto as Exhibit A, shall remain in effect through the term outlined in the Proprietary Information Exchange Agreement.

14. LIMITED WARRANTY

14.1 Berkeley Lab warrants to Digirad that it has the lawful right to grant this license.

14.2 Except as set forth above, this license and the associated Invention(s) are provided WITHOUT WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR ANY OTHER WARRANTY, EXPRESS OR IMPLIED. BERKELEY LAB MAKES NO REPRESENTATION OR WARRANTY THAT LICENSED PRODUCTS WILL NOT INFRINGE ANY PATENT OR OTHER PROPRIETARY RIGHT.

14.3 IN NO EVENT WILL BERKELEY LAB OR DIGIRAD BE LIABLE FOR ANY INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES INCURRED BY THE OTHER PARTY HERETO RESULTING FROM EXERCISE OF THIS LICENSE OR THE USE OF THE INVENTION(S) OR LICENSED PRODUCTS UNDER THIS AGREEMENT. THIS PROVISION, 14.3, DOES NOT APPLY TO INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES AWARDED IN A JUDGEMENT FOR A THIRD PARTY AGAINST A PARTY OR THE PARTIES HERETO.

14.4 Except as set forth above, nothing in this Agreement may be construed as:

14.4.1 a warranty or representation by Berkeley Lab as to the validity or scope of any of Berkeley Lab's rights in Licensed Patents;

14.4.2 a warranty or representation that anything made, used, sold or otherwise disposed of under any license granted in this Agreement is or will be free from infringement of patents of third parties;

14.4.3 an obligation to bring or prosecute actions or suits against third parties for patent infringement, except as specifically provided for in Article 16 (Patent Infringement);

14.4.4 a grant by implication, estoppel or otherwise of any license or rights under any patents of Berkeley Lab other than Licensed Patents, regardless of whether such patents are dominant or subordinate to Licensed Patents; or

14.4.5 an obligation to furnish any know-how not provided in Licensed Patents.

15. PATENT PROSECUTION AND MAINTENANCE

15.1 Berkeley Lab shall diligently maintain the United States patents for Licensed Patents (including any future patent rights provided for in Section 2.4) using counsel of its choice that is reasonably acceptable to Digirad. Berkeley Lab shall bear the cost of pre-paring, filing, prosecuting and maintaining any United States patent covered by this Agreement.

15.2 Berkeley Lab has filed foreign patent applications corresponding to the PCT Application referred to in Section 2.4 (namely US 97/20173) as follows:

(a) European Patent Office (EPO), designating

(i) ***

(ii) ***

(iii) ***

(iv) ***

(v) ***

(vi) ***

(vii) ***

(viii) ***

(ix) ***

(x) ***

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(xi) ***

(xii) ***

(b) ***

Berkeley Lab has no obligation to take action to file or prosecute foreign patent applications on behalf of Digirad until the following occurs:

15.2.1 (With the exception of the three countries listed in 15.3 below) Digirad makes that request in writing to Berkeley Lab within *** after the Effective Date. The absence of the required notice from Digirad to Berkeley Lab acts as an election not to proceed on protecting foreign rights.

15.2.2 That notice also identifies the countries Digirad desires.

15.2.3 Digirad pays Berkeley Lab the foreign license fee as set forth in paragraph 15.4

15.3 Digirad agrees to pay Berkeley Lab *** , upon the day of execution of this Agreement, for the foreign patent counterparts to the U.S. application for the following countries: ***

15.4 The foreign license fee for each foreign counterpart in addition to those listed in Section 15.3 to a United States patent application shall be *** for each national filing or for each country designated in the PCT filing for entry into the national phase, European Patent Convention ("EPC") filing, or similar regional filing.

15.5 Berkeley Lab shall bear the expense of preparing, filing, prosecuting and securing all foreign patent applications that Berkeley Lab files at Digirad's request (pursuant to 15.2 above). Digirad shall bear the expense of ***
***
***

15.6 Berkeley Lab shall promptly provide Digirad with copies of all relevant documentation so that Digirad is informed of the continuing prosecution of Licensed Patents and any foreign patent applications Berkeley Lab files under Section 15.2. Additionally, Berkeley Lab shall provide Digirad a *** *** summarizing the status of the Licensed Patents and any foreign patent applications Berkeley Lab files under Section 15.2. Digirad shall keep this documentation confidential. Berkeley Lab shall use all reasonable efforts to amend any patent application to include claims reasonably requested by Digirad to protect the products contemplated to be sold under this Agreement.

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16. PATENT INFRINGEMENT

16.1 If either party learns of the substantial infringement of any of Licensed Patents, the party shall so inform the other party in writing and shall provide the other party with reasonable evidence of the infringement. During the period and in a jurisdiction where Digirad has exclusive rights under this Agreement, ***
***
*** Both parties shall use their best efforts in cooperation with each other to terminate such infringement without litigation.

16.2 ***
***
***

16.3 ***
***
***

16.4 ***
***
***

17. WAIVER

17.1 The waiver of any breach of any term of this Agreement does not waive any other breach of that or any other term.

18. ASSIGNMENT

18.1 This Agreement is binding upon and shall inure to the benefit of Berkeley Lab, its successors and assigns. Upon written notice to Berkeley Lab, Digirad may assign this Agreement to a Digirad wholly owned subsidiary or to a purchaser or acquirer of all or substantially all of the business or assets of Digirad. Any other attempt by Digirad to assign this Agreement is void unless Digirad obtains the prior written consent of Berkeley Lab. Berkeley Lab shall not unreasonably withhold or delay that consent.

19. INDEMNIFICATION

19.1 Digirad shall indemnify, hold harmless and defend Berkeley Lab and the U.S. Government and their officers, employees, and agents; the sponsors of the research that led to the Invention; and the inventors of the patents and patent applications in Licensed Patents against any and all claims, suits, losses, damage, costs, fees, and expenses resulting from or arising out of exercise of this license or any sublicense. Berkeley Lab shall promptly notify Digirad in writing of any claim or suit brought against Berkeley Lab in respect of which Berkeley Lab intends to invoke the provisions of this Article 19

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(INDEMNIFICATION). ***
***
***

19.2 Digirad, at its sole expense, shall insure its activities in connection with the work under this Agreement and obtain and keep in force Comprehensive or Commercial Form General Liability Insurance (contractual liability and products liability included) or equivalent program of self-insurance with limits as follows:

19.2.1	Each Occurrence	$ ***
19.2.2	Products/Completed Operations Aggregate	$ ***
19.2.3	Personal and Advertising Injury	$ ***
19.2.4	General Aggregate (commercial form only)	$ ***

19.3 The coverages and limits referred to in this Article 19 do not in any way limit the liability of Digirad. Digirad shall furnish Berkeley Lab with certificates of insurance, including renewals, evidencing compliance with all requirements at least *** prior to the first commercial sale, use, practice or distribution of a Licensed Product.

19.3.1 If such insurance is written on a claims-made form, coverage shall provide for a retroactive date of placement on or before the Effective Date.

19.3.2 Digirad shall maintain the general liability insurance specified during: (a) the period that the Licensed Product is being commercially distributed or sold (other than for the purpose of obtaining regulatory approvals) by Digirad or by a sublicensee or agent of Digirad, and (b) a reasonable period thereafter, but in no event less than five years.

19.4 The insurance coverage of Section 19.2 must:

19.4.1 Provide for *** advance written notice to Berkeley Lab of any modification of any such coverage and provide immediate notice of cancellation of such coverage.

19.4.2 Indicate that DOE and "The Regents of the University of California" are endorsed as additional insureds, but only with respect to the subject matter of this Agreement.

19.4.3 Include a provision that the coverages are primary and do not participate with, nor are excess over, any valid and collectible insurance or program of self-insurance carried or maintained by Berkeley Lab.

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20. LATE PAYMENTS

20.1 Excepting issues arising from Section 26.1, if Digirad does not make a payment to Berkeley Lab when due, Digirad shall pay to Berkeley Lab *** ***
***

21. NOTICES

21.1 Any payment, notice or other communication this Agreement requires or permits either party to give must be in writing to the appropriate address given below, or to such other address as one party designates by written notice to the other party. The parties deem payment, notice or other communication to have been properly given and to be effective (a) on the date of delivery if delivered in person; (b) on the fourth day after mailing if mailed by first-class mail, postage paid; (c) on the second day after delivery to an overnight courier service such as Federal Express, if sent by such a service; or (d) upon confirmed transmission by telecopier. The parties addresses are as follows:

For payments to Berkeley Lab:	For all other notices to Berkeley Lab:
Ernest Orlando Lawrence	Ernest Orlando Lawrence
Berkeley National Laboratory	Berkeley National Laboratory
Accounting/Financial Management	Technology Transfer Department
P.O. Box 528	Mailstop 90-1070
Berkeley, California 94701	One Cyclotron Road
Attention: Licensing Accountant	Berkeley, California 94720
Fax: 510/486-5995	Attention: Licensing Manager
Telephone: 510/486-7113	Fax: 510/486-6457
	Telephone: 510/486-6467

In the case of Digirad:

Digirad Corporation
9350 Trade Place
San Diego, California 92126-6334
Attention: President
Fax: 619-549-7714
Telephone: 619-578-5300

22. U.S. MANUFACTURE

22.1 Digirad shall have Licensed Products produced for sale in the United States manufactured substantially in the United States so long as Digirad has current exclusive rights in the Field of Use.

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23. PATENT MARKING

23.1 Digirad shall mark all Licensed Products made, used or sold under this

Agreement, or their containers, in accordance with the applicable patent marking laws.

24. GOVERNMENT APPROVAL OR REGISTRATION

24.1 If the law of any nation requires that any governmental agency either approve or register this Agreement or any associated transaction, Digirad shall assume all legal obligations to do so. Digirad shall notify Berkeley Lab if it becomes aware that this Agreement is subject to a U.S. or foreign government reporting or approval requirement. Digirad shall make all necessary filings and pay all costs, including fees, penalties, and all other costs associated with such reporting or approval process. Berkeley Lab shall fully cooperate with Digirad, to the extent it is able to do so within the law and established Berkeley Lab policy, to provide documentation and testimony to obtain such approval or registration, at Digirad's sole expense.

25. EXPORT CONTROL LAWS

25.1 Digirad shall observe all applicable United States and foreign laws and regulations with respect to the transfer of Licensed Products and related technical data, including, with-out limitation, the International Traffic in Arms Regulations (ITAR) and the Export Administration Regulations.

26. FORCE MAJEURE

26.1 If a party's performance required under this Agreement is rendered impossible or unfeasible due to any catastrophes or other major events beyond its reasonable control, including, without limitation, the following, the parties are excused from performance, war, riot, and insurrection; laws, proclamations, edicts, ordinances or regulations; strikes, lockouts or other serious labor disputes; and floods, fires, explosions, or other natural disasters. When such events abate, the parties' respective obligations under this Agreement must resume.

27. MISCELLANEOUS

27.1 The headings of the several sections are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

27.2 This Agreement is not binding upon the parties until it is signed below on behalf of each party.

27.3 No amendment or modification hereof shall be valid or binding upon the parties unless made in writing and signed on behalf of each party.

27.4 This Agreement embodies the entire and final understanding of the parties on this subject. It supersedes any previous representations, agreements, or understandings, whether oral or written.

27.5 If a court of competent jurisdiction holds any provision of this Agreement invalid, illegal or unenforceable in any respect, this Agreement must be construed as if that invalid or illegal or unenforceable provision is severed from the Agreement, provided, however, that the parties shall negotiate in good faith substitute enforceable provisions that most nearly effect the parties' intent in entering into this Agreement.

27.6 This Agreement must be interpreted under California law without regard to principles of conflicts of laws.

Berkeley Lab and Digirad execute this Agreement in duplicate originals through their duly authorized respective officers in one or more counterparts, that taken together, are but one instrument.

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, THROUGH THE ERNEST ORLANDO LAWRENCE BERKELEY NATIONAL LABORATORY	DIGIRAD CORPORATION
By /S/ PIERMARIA T. ODDONE	By /S/ SCOTT HUENNEKENS
(signature)	(signature)
By PIERMARIA T. ODDONE	By SCOTT HUENNEKENS

(Please Print)	(Please Print)
Title DEPUTY DIRECTOR	Title PERS. & COO
Date MAY 16, 1999	Date 5-19, 1999

Approved as to form

/S/ GLENN R. WOODS
GLENN R. WOODS
LAWRENCE BERKELEY NATIONAL LABORATORY

Exhibit A to License Agreement

PROPRIETARY INFORMATION EXCHANGE AGREEMENT

This AGREEMENT made and entered into as of this 23rd day of April 1, 1999 by and between DIGIRAD, a Delaware corporation, whose address is 9350 Trade Place, San Diego, California 92126-6334 and The Regents of the University of California as Managers of the Lawrence Berkeley National Laboratory, whose address is 1 Cyclotron Road, Berkeley, CA 94720.

WHEREAS, the parties hereto are undertaking negotiations towards the development of a license agreement between them, and

WHEREAS, in furtherance of such license, each undersigned party (the "Receiving Party") understands that the other party (the "Disclosing Party") has disclosed or may disclose information relating to the Disclosing Party's business and/or intellectual property (including, without limitation, chemical formulas, computer programs, software, technical drawings, names and expertise of employees and consultants, know-how, formulas processes, ideas, inventions (whether patentable or not), schematics and other technical business, financial, customer and product development plans, forecasts, strategies and information, and any and all information, technical or otherwise related to describing Digirad's ***

***

***

sub-assemblies and related assemblies for use in medical imaging systems and other applications), information which to the extent previously, presently, or subsequently disclosed to the Receiving Party is hereinafter referred to as "Proprietary Information" of the Disclosing Party.

NOW, THEREFORE, in consideration of the parties' discussions and any access the Receiving Party may have to Proprietary Information of the Disclosing Party, the parties agree that any information received by one party from the other shall be governed by the following terms and conditions:

Definition:

"Proprietary Information" shall not include information which:

(a) was rightfully in possession of or known to the Receiving Party prior to receiving it from the Disclosing Party; or

(b) is or becomes part of the public knowledge or literature by acts other than those of the Receiving Party and without fault of the receiving Party; or

(c) was rightfully disclosed to the Receiving Party by a third party provided the Receiving Party complies with restrictions imposed by the third party; or

(d) is transmitted after the expiration of this Agreement; or

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(e) is disclosed by the Receiving Party under a valid order created by a court or government agency, provided that the Receiving Party provides prior written notice to the Disclosing Party of such obligation and the opportunity to oppose such disclosure.

(f) the Receiving Party develops independently, subsequent to receipt of Proprietary Information and for which Receiving Party can demonstrate by written records that independent development occurred without knowledge or use of Proprietary Information.

HANDLING OF PROPRIETARY INFORMATION:

The Receiving Party agrees to (i) hold the Disclosing Party's Proprietary Information in strict confidence as a fiduciary and to take reasonable precautions to protect such Proprietary Information and (ii) handle the Proprietary Information in the same manner that it handles its own proprietary information of like importance, but with at least reasonable degree of care, for a period of five (5) years after the date of disclosure.

LIMITATION ON DISCLOSURE:

The Receiving Party shall not disclose, in whole or in part, such Proprietary Information to any third party without the prior written consent of the Disclosing Party for the period that such information is to be handled as proprietary. The Receiving Party may disclose Proprietary Information only to those of its employees who would require knowledge of such Proprietary Information for the purposes contemplated by this Agreement and who is similarly bound in writing.

LIMITATION OF USE:

The Receiving Party shall make no use, in whole or in part, of any such Proprietary Information other than in furtherance of the purpose of this Agreement without the prior written consent of the Disclosing Party.

If the purpose of the information exchange is the preparation of a proposal to the United States Government, Proprietary Information of either party may be incorporated into the proposal to the United States Government, provided that the proposal document bears the restrictive legend contained in Federal Acquisition Regulation 52.215-12 or a substantially similar successor provision.

TERM:

This Agreement shall expire one (1) year from the date recited in the first paragraph of this Agreement. With the exception of information disclosed in accordance with the provisions of the License Agreement for Detector between Digirad Corporation and the Regents of the University of California through the Ernest Orlando Lawrence Berkeley Laboratory, immediately upon a request by the Disclosing Party at any time (which will be effective if actually received or three days after mailed first class postage prepaid to the Receiving Party's address herein), the Receiving Party will turn over to the Disclosing Party all Proprietary Information of the Disclosing Party and all documents or media containing any such Proprietary Information and any and all copies or extracts thereof. The Receiving Party understands that

nothing herein (i) requires the disclosure of any Proprietary Information of the Disclosing Party, which shall be disclosed if at all solely at the option of the Disclosing Party (in particular, but without limitation, any disclosure is subject to compliance with expert control laws and regulations), or (ii) requires the Disclosing Party to proceed with any proposed transaction or relationship in connection with which Proprietary Information may be disclosed. The party's obligations with respect to Proprietary Information disclosed to it prior to expiration/termination shall survive expiration/termination.

RELATIONSHIP OF PARTIES:

This Agreement is intended to provide only for the handling and protection of Proprietary Information exchanged or disclosed hereunder, and shall not be construed as a Teaming, Joint Venture, Partnership, or other similar arrangement. Specifically, this Agreement shall not be construed in any manner to be an obligation to enter into a contract, nor shall it result in any claim whatsoever for reimbursement of costs.

NO LICENSE:

Neither the execution of this agreement nor the furnishing of any Proprietary Information hereunder shall be construed as granting either expressly, by implication, estoppel or otherwise, any license other than as expressly set forth herein under any invention, patent, copyright, trade secret, mask work right, or any other intellectual property right, now or hereafter owned or controlled by the party furnishing same.

U.S. GOVERNMENT REGULATIONS:

A party receiving Proprietary Information shall comply with all relevant United States Government regulations, including the International Traffic in Arms Regulations and the Export Administration Act.

MISCELLANEOUS:

Each party shall perform its respective obligations hereunder without charge to the other.

Except to the extent permitted by the License Agreement for Detector between Digirad Corporation and the Regents of the University of California through the Ernest Orlando Lawrence Berkeley Laboratory, neither party will refer to this Agreement or use the other party's name in any form of publicity or advertising directly or indirectly, without the prior written consent of the party whose name is proposed for use.

Except as to a sale of the business to which this Agreement relates or transfer of the management of the Ernest Orlando Lawrence Berkley Laboratory, the rights and obligations of each party under this Agreement may not be assigned or transferred to any person, firm or corporation, without the express prior written consent of the other party, which consent will not be unreasonably withheld.

Neither party makes any representations regarding the accuracy, completeness, or freedom from defects of the information disclosed, or with respect to infringement of the rights of others.

The Receiving Party acknowledges and agrees that due to the unique nature of the Disclosing Party's Proprietary Information, there may be no adequate remedy at law for any breach of its obligations hereunder, that any such breach may allow the Receiving Party or third parties to unfairly compete with the Disclosing Party resulting in irreparable harm to the Disclosing Party, and therefore, that upon any such breach or any threat thereof, the Disclosing Party may be entitled to appropriate equitable relief in addition to whatever remedies it might have at law. The Receiving Party will notify the Disclosing Party in writing immediately upon the occurrence of any such unauthorized release or other breach of which it is aware. In the event that any of the provisions of this Agreement shall be held by a court or other tribunal of competent jurisdiction to be illegal, invalid or unenforceable, such provisions shall be limited or eliminated to the minimum extent necessary so that this Agreement shall otherwise remain in full force and effect.

ENTIRE AGREEMENT:

This Agreement represents the entire agreement of the parties pertaining to the subject matter of the Agreement, and supersedes any and all prior oral discussions and/or written correspondence or agreements between the parties with respect thereto.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in duplicate original copies by their respective duly authorized representatives.

DIGIRAD	The Regents of the University of California Acting as Manager of the Lawrence Berkeley Laboratory
By: ----------	By: ----------
Name: ----------	Name: ----------
Title: ----------	Title: ----------

Date: Date:
---------- ----------

AMENDMENT #1
TO
LICENSE AGREEMENT FOR DETECTOR

This Amendment (the "Amendment"), effective as of the signing date of the last party to sign below, is entered into by The Regents of the University of California ("The Regents"), Department of Energy contract-operators of the Ernest Orlando Lawrence Berkeley National Laboratory ("LBNL"), 1 Cyclotron Road, Berkeley, CA 94720, (jointly, "Berkeley Lab"), and Digirad Corporation ("Digirad"), a Delaware corporation having its principal place of business at 9350 Trade Place, San Diego, CA 92126-6330.

THE PARTIES ENTERED INTO A LICENSE AGREEMENT FOR DETECTOR, REFERENCE NUMBER L-90-1261 (THE "AGREEMENT"), EFFECTIVE DATE OF MAY 19, 1999. THE PARTIES NOW DESIRE TO AMEND THE AGREEMENT BY EXPANDING THE LICENSE TO INCLUDE A NON-EXCLUSIVE FIELD OF USE (AS DEFINED BELOW) PURSUANT TO THE TERMS AND CONDITIONS HEREIN. CAPITALIZED TERMS HEREIN SHALL HAVE THE MEANING AS SET FORTH IN THE AGREEMENT EXCEPT AS OTHERWISE DEFINED IN THIS AMENDMENT.

The parties agree as follows:

1. Section 2.2 of the Agreement is hereby deleted in its entirety and replaced with the following:

2.2 "Field of Use" and "Non-Exclusive Field of Use":

2.2.1 "Field of Use" means the development, production and use of ***
***
***

2.2.2 "Non-Exclusive Field of Use" means the development, production and use of ***
***
***

2. Section 2.4 of the Agreement is hereby deleted in its entirety and replaced with the following:

2.4 "Licensed Patents" means patent rights to any subject matter claimed in or covered by any of the following:

2.4.1 US Patent Number ***
***
***

2.4.2 Any resulting patent issued in Germany or France arising from European Patent Convention Application ***

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***
***

2.4.3 Japan Patent Application ***
***
***

2.4.4 with respect to Sections 2.4.1 to 2.4.3, any division, reexamination, continuation, continuation-in-part (excluding new matter contained and claimed in that continuation-in-part), or of which such application is a successor; any patents issuing on any of the foregoing, and all renewals, reissues and extensions thereof, or other equivalents

of a renewal, reissues, and extensions thereof.

3. Section 3.1 of the Agreement is hereby deleted in its entirety and replaced with the following:

3.1 Subject to the limitations set forth in this Agreement, Berkeley Lab grants to Digirad:

3.1.1 a nontransferable (subject to Section 18.1), limited (by the terms of Sections 3.2 and 3.7) worldwide exclusive, royalty-bearing license, under Licensed Patents, only in the Field of Use, to develop, make, have made, use, practice, sell, have sold, and lease the Licensed Products.

3.1.2 a nontransferable (subject to Section 18.1), nonexclusive worldwide, royalty-bearing license, under Licensed Patents, only within the Non-Exclusive Field of Use, to develop, make, have made, use, practice, sell, and lease the Licensed Products.

4. Section 4.1 of the Agreement is hereby deleted in its entirety and replaced with the following:

4.1 As consideration for the licenses granted hereunder:

4.1.1 within the Field of Use, Digirad shall pay Berkeley Lab a license issue fee of ***
***
***

4.1.2 within the Non-Exclusive Field of Use, Digirad shall pay Berkeley Lab a license issue fee of ***
***
***

***

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5. Section 5.1 of the Agreement is hereby deleted in its entirety and replaced with the following:

5.1 Digirad shall pay to Berkeley Lab an earned royalty of:

5.1.1 *** of the Selling Price of each Licensed Product Digirad sells within the Field of Use;

5.1.2 *** of the Selling Price of each Licensed Product Digirad sells within the Non-Exclusive Field of Use;

6. Section 5.4 of the Agreement is hereby deleted in its entirety and replaced with the following:

5.4 Digirad shall pay to Berkeley Lab by *** of each year the difference between the earned royalties for that calendar year Digirad has already paid to Berkeley Lab for the Field of Use and Non-Exclusive Field of Use and the minimum annual royalty set forth in the following schedules for the Field of Use and Non-Exclusive Field of Use. Berkeley Lab shall credit that minimum annual royalty paid against the earned royalty due and owing for the calendar year in which Digirad made the minimum payment; provided that the earned royalties and minimum annual royalties for the Field of Use shall be treated separately from and independent of the earned royalties and minimum annual royalties for the Non-Exclusive Field of Use.

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CALENDAR YEAR	MINIMUM ANNUAL ROVALTY FOR FIELD	MINIMUM ANNUAL ROYALTY FOR OF USE	NON-EXCLUSIVE FIELD OF USE
1999	***	N/A	---
2000	***	N/A	---
2001	***	***	---
2002	***	***	---
2003	***	***	---

2004 ***	***
2005 and each year thereafter	*** ***

7. Sections 6.4 and 6.5 of the Agreement are hereby deleted in their entirety and replaced with the following:

6.4 If Digirad is unable to perform any of the following, then Berkeley Lab may either terminate this Agreement or reduce the limited exclusive license within the Field of Use to a non-exclusive license within the Field of Use:

6.4.1 With regard to the Field of Use:

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6.4.1.1	*** ***
6.4.1.2	*** ***

6.4.2 With regard to the Non-Exclusive Field of Use:

6.4.2.1	***
6.4.2.2	***
6.4.2.3	***
6.4.2.4	***
6.4.2.5	***
6.4.2.6	*** ***

It is the understanding of the parties hereto that any termination of the Agreement or reduction of this license to a non-exclusive license as a result of Digirad's failure to meet the specifications of Section 6.4 shall be subject to the *** day cure period set forth in Section 10.1 below.

6.5 If Berkeley Lab grants a non-exclusive license to any other party within the Field of Use upon royalty rates more favorable than those of this Agreement after reducing the this license within the Field of Use to a non-exclusive license

within the Field of Use, then ***

***

***

***

8. The reporting obligations of Section 7 shall apply to both the Field of Use and Non-Exclusive Field of Use, separately and independently. Beginning *** thereafter, Digirad shall submit to Berkeley Lab a progress reports covering Digirad's activities related to the development and testing of all Licensed Products within the Non-Exclusive Field of Use and obtaining of the government approvals necessary for marketing as required pursuant to Section 7.1 ET. SEQ.

9. Section 11.1 of the Agreement is hereby deleted in its entirety and replaced with the following:

11.1 Digirad at any time may terminate this Agreement in whole or as to any portion of Licensed Patents by giving written notice to Berkeley Lab. Digirad's termination

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of this Agreement will be effective *** days after its notice. If that termination pertains to the Field of Use and is without cause within *** years of the Effective Date, Digirad shall ***

***

10. Section 15.2 of the Agreement is hereby deleted in its entirety.

11. Section 15.5 of the Agreement is hereby deleted in its entirety and replaced with the following:

15.5 ***

***

***

12. Section 15.6 of the Agreement is hereby deleted in its entirety and replaced with the following:

15.6 Berkeley Lab shall promptly provide Digirad with copies of all relevant documentation so that Digirad is informed of the continuing prosecution of Licensed Patents. Additionally, upon *** Berkeley Lab shall provide Digirad with a report summarizing the status of the Licensed Patents. Digirad shall keep this documentation confidential. Berkeley Lab shall use all reasonable efforts to amend any patent application to include claims reasonably requested by Digirad to protect the products contemplated to be sold under this Agreement.

13. Digirad acknowledges and agrees that Section 16 applies, other than the first sentence of Section 16.1, only to jurisdictions in which Digirad has exclusive rights under the Agreement. Thus, except for that first sentence of Section 16.1, the entirety of Section 16 will not apply to the Licensed Products insofar as they are within the Non-Exclusive Field of Use.

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14. Except as specifically amended herein, the Agreement is hereby ratified and confirmed.

Berkeley Lab and Digirad execute this Agreement in duplicate originals through their authorized respective officers in one or more counterparts that, taken together, are but one instrument.

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, THROUGH THE ERNEST ORLANDO LAWRENCE BERKELEY NATIONAL LABORATORY

DIGIRAD CORPORATION

By /S/ PIERMARIA ODDONE
(Signature)

By PIERMARIA ODDONE
Title DEPUTY LABORATORY DIRECTOR
Date 5-24-01

By /S/ SCOTT HUENNEKENS
(Signature)

By SCOTT HUENNEKENS
Title PRESIDENT AND CEO
Date 5-11-01

Approved as to form

/S/ GLENN R. WOODS
GLENN R. WOODS
LAWRENCE BERKELEY NATIONAL LABORATORY

EXHIBIT 10.2

*** CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT (INDICATED BY ASTERISKS) HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT UNDER 17 C.F.R. SECTIONS 200.80(B)(4), 200.83 AND 230.406.

SOFTWARE LICENSE AGREEMENT

This Software License Agreement ("Agreement") is entered into under seal this 16th day of June, 1999 (the "Effective Date") by and between Segami Corporation, a Maryland corporation having its principal offices at 12624 Golden Oak Drive, Ellicott City MD 21042 ("Segami"), and Digirad Corporation ("Digirad"), a Delaware corporation having its principal offices at 9350 Trade Place. San Diego CA 92126.

Statement of Intention

A. Segami is in the business of the development and sale of software for gamma camera image acquisition, processing and display. Segami's current software is called ***

B. Digirad desires to purchase software from Segami for the purpose of gamma camera image acquisition, processing and display which will interface with Digirad's solid state gamma camera.

C. Digirad desires to package the *** software and Digirad's hardware for resale as a single product, identifiable only as a Digirad product.

In consideration of the mutual promises and covenants herein contained, the receipt and sufficiency of which are hereby acknowledged, the parties agree under seal as follows:

1. DEFINITIONS. For the purposes of this Agreement, the following terms, when used herein, have the following meaning.

"Base Software"-The existing *** software described in EXHIBIT D hereto in object and executable code forms, and all updates, enhancements, revisions, modifications, modules and or sub-modules thereto and all permitted copies, except that Base Software does not include the Interface Development.
"Interface Development"-The new code written and modifications made to the Base Software which will allow use of the Base Software with Digirad's current hardware, in object and executable code forms, and all updates, enhancements, revisions, modifications, modules and or sub-modules thereto and all permitted copies.

"Product" - Digirad's solid state gamma camera bundled together with the Base Software and Interface Development.

2. LICENSE TO DIGIRAD. Subject to all the terms of this Agreement, Segami grants to Digirad a nonexclusive worldwide, fully paid-up license:

(a) to sublicense the Base Software to end-users only in connection with the sale and use of the Products; any such sublicense shall be pursuant to a sublicense agreement for Segami's

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benefit that contains applicable similar restrictions and obligations imposed on Digirad hereunder.

(b) to use, adopt, reproduce, display, perform, test, demonstrate and distribute the Base Software as necessary to market, sale and distribute the Products.

(c) sublicense to third parties the distribution rights for the Products and Base Software; any such sublicense shall be pursuant to a sublicense agreement for Segami 's benefit that contains applicable similar restrictions and obligations imposed on Digirad hereunder.

The balance of this Section 2 notwithstanding, the license granted to Digirad shall not include the right to sublicense, sell or distribute the Base Software independently and separate from the Product, with the understanding that Digirad may demonstrate the Base Software or distribute demonstration models of the Base Software, limited in function, for use on systems independent from the Product.

3. USE/LICENSE FEES.

3.1 USE. Segami hereby grants Digirad the right to package and bundle the Base Software with the Product, the Interface Development and Digirad hardware for sale to end-users by Digirad or its subdistributors.

3.2 LICENSE FEES. Digirad shall pay a License Fee (the "License Fee") to Segami, in accordance with the attached Exhibit A, for each copy of the Base Software distributed to any end-user, unless otherwise agreed upon in writing by Segami. Payment of the License Fee shall be made by Digirad and tendered to Segami at the sooner of *** days after customer payment or *** days after customer installation. Digirad will receive a reasonable number of demonstration versions of the Base Software including the dongle keys ("Keys") for using such versions ("Demo Versions") to be used for customer demonstrations and/or Digirad roadshows (not for sale to customers). Segami shall deliver the Demo Versions within *** days upon written request from Digirad.

3.3 AUDIT. Segami shall have the right to audit the books, financial accounts and documents of Digirad *** in each calendar year for which this contract is in force, to verify the number of copies of the Base Software disseminated by Digirad. Segami shall employ an independent Certified Public Accountant at its own cost and expense for such audit. Segami shall give Digirad a minimum of *** days prior written notification of the audit. Digirad shall not unreasonably withhold its cooperation in the audit.

4. INTERFACE DEVELOPMENT.

4.1 DEVELOPMENT. Segami agrees to undertake and complete the code design, programming and testing of the Interface Development. Interface Development shall be in accordance with the specifications on the attached Exhibit B (the "Specifications") and the delivery schedule attached hereto as Exhibit C (the "Delivery Schedule"). Segami shall be

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responsible for obtaining and maintaining operational status and approvals of the Base Software and Interface Development (and any new versions or improvements thereto) under FDA, CE and other regulatory authorities or agencies. Segami agrees that its conduct in performing its obligations under this Agreement shall conform in all material respects to all applicable laws and regulations of the U.S. and foreign governments (and political subdivisions thereof).

4.2 ACCEPTANCE. Digirad will, by written notice, accept or reject any portion of the Interface Development delivered (individually, the "Deliverable(s)") within *** days after receipt. Failure to give notice of acceptance or rejection within that period will constitute acceptance. Digirad may reject any Deliverable only if the Deliverable fails to meet the Specifications or, at the fault or failing of that Deliverable alone, the Product cannot operate in a commercially reasonable manner. If Digirad properly rejects the Deliverable, Segami will correct the failures properly specified in the rejection notice within *** days of the rejection notice. When it believes that it has made the necessary corrections, Segami will again deliver the Deliverable to Digirad and the acceptance/rejection/correction provisions above shall be reapplied until the Deliverable is accepted; provided, however, that upon the *** or any subsequent rejection or if the corrections are not made within *** days of the initial rejection, Digirad may at its option terminate this Agreement by immediate written notice unless the Deliverable is accepted during the notice period.

5. COMPENSATION FOR INTERFACE DEVELOPMENT. Digirad shall make payments to Segami in accordance with the Delivery Schedule. Each payment will be in U.S. dollars from the United States and will be made no later than ***

days from the occurrence of the event specified in the Delivery Schedule for which payment is due.

6. OWNERSHIP RIGHTS. As between the parties Segami shall retain all right title and interest, including all patent, copyright, trade secret, trademark, mask work or other rights, in the Base Software, or any other idea or product conceived or reduced to form by Segami, its agents or assigns as of the Effective Date. Digirad shall have all right, title and interest, in the Interface Development. The parties hereby make any assignments necessary to accomplish the foregoing ownership provisions.

7. SUPPORT/MAINTENANCE.

7.1 SUPPORT. During the term of this Agreement:

(1) Segami shall use its best efforts to respond within *** days after receipt of written notice of verifiable defects, and propose a plan for prompt and effective remedy, and shall provide general guidance concerning the Base Software or Interface Development. Defects shall be reported in writing via electronic mail or facsimile to Segami at the telephone/email numbers provided by Segami to Digirad from time to time.

(2) Segami shall inform Digirad promptly of any changes in the Base Software or delivery schedules.

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(3) Subject to the other terms and conditions of this Agreement, Segami shall use its reasonable best efforts to promptly fill Digirad's orders for Keys. Promptly following the execution of this Agreement, Segami shall place *** Keys in escrow. If Segami materially fails to provide a sufficient number of Keys to Digirad for delivery of Products to end-users, after *** days written notice to Segami, Digirad shall be entitled to receive from escrow any or all of the Keys. If Segami fails to provide a sufficient number of Keys to Digirad for delivery of Products to end-users, after *** days written notice to Segami, Digirad shall be entitled to a fully executed purchase order from Segami to the Key manufacturer ("Escrow Materials") authorizing the Key manufacturer to provide directly to Digirad those Keys reasonably necessary, in Digirad's sole discretion, for Digirad to sell and install Product. In support of the foregoing and promptly after execution of this Agreement, Segami will place in escrow (pursuant to the terms of an escrow agreement in form mutually acceptable to the parties hereto) the Escrow Materials as they exist at the date of the Agreement. Segami will update the escrow with any new or modified Escrow Materials and Keys promptly as it becomes necessary and will notify Digirad when it does so. *** ***

(4) Segami agrees to provide *** standard training *** for Digirad personnel. *** shall be given at Digirad's main office on a schedule reasonably acceptable to Segami but commencing no later than *** days after Digirad's written request. ***
***
***

(5) Segami shall provide free technical support to Digirad personnel up to *** during the first year, and *** per year after that. This does not include time spent on developments set forth in Section 4 or Section 7.1(1). Segami shall provide Digirad with all the user's documentation in its possession.

7.2 MAINTENANCE RELEASES. In the exercise of its sole discretion and from time to time, Segami may develop and make available maintenance release for the Base Software at no cost to Digirad. Such maintenance release shall be patches for the purpose of correcting any deficiencies in the Base Software which may become apparent to Digirad and Segami after successful delivery of the Interface Development.

7.3 ENHANCEMENTS/UPGRADES. In the exercise of its sole discretion and from time to time, Segami may develop and make available for sale through Digirad to end-users, and at an additional license fee to Segami, to be negotiated in good faith by the Parties, substantially upgraded versions of the Base Software which incorporate significant functional changes or additions, or substantially improved performance.

8. CONFIDENTIALITY. Each party agrees that all code, inventions algorithms, know-how and ideas and all other business, technical and financial

information they obtain from the other are confidential information and property of the disclosing party ("Confidential Information"). Each party shall use Confidential Information of the other party which is disclosed to it only for the purposes of this Agreement and shall not disclose such Confidential

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Information to-any third party, without the other party's prior written consent, other than to Segami's subcontractors, subdistributors and employees on a need-to-know basis. Each party agrees to take measures to protect the confidentiality of the other party's Confidential Information that, in the aggregate, are no less protective than those measures it uses to protect the confidentiality of its own Confidential Information, but at a minimum, each party shall take reasonable steps to advise their employees, subcontractors and subdistributors of the confidential nature of the Confidential Information and of the prohibitions on copying or revealing such Confidential Information contained herein. The parties each agree to require that the other party's Confidential Information be kept in a reasonably secure location. Notwithstanding anything to the contrary contained in this Agreement neither party shall be obligated to treat as confidential, or otherwise be subject to the restrictions on use, disclosure or treatment contained in this Agreement for any information disclosed by the other party (the "Disclosing party") which: (1) is rightfully known to the recipient prior to its disclosure by the Disclosing Party; (2) is generally known or easily ascertainable by non-parties of ordinary skill in computer process design or programming or in the business of the client; (3) is released by the Disclosing Party to any other person, firm or entity (including governmental agencies or bureaus) without restrictions; (4) is independently developed by the recipient without any reliance on Confidential Information; or (5) is or later becomes publicly available without violation of this Agreement or may be lawfully obtained by a party from a non-party. Neither party will be liable to the other for inadvertent or accidental -disclosure of Confidential Information if the disclosure occurs notwithstanding the party's exercise of the same level of protection and care that such party customarily uses in safeguarding its own confidential information.

Notwithstanding the foregoing, all Confidential Information developed by Segami, including but not limited to the Interface Development, in connection with this Agreement shall be deemed Confidential Information of Digirad disclosed by Digirad to Segami and exceptions (1) and (4) above will not be applicable thereto.

9. EXPORT CONTROL. Each party hereby agrees to comply with all export laws and restrictions and regulations of the Department of Commerce or other United States or foreign agency or authority, and not to export, or allow the export or re-export of any proprietary information or software or any copy or direct product thereof in violation of any such restrictions, laws or regulations.

10. TERMINATION

10.1 TERMINATION BY DIGIRAD. Digirad may terminate this Agreement if Segami is in material breach of, or default under, this Agreement and such breach or default is not cured within *** days after Digirad delivers written notice of such breach or default to Segami.

10.2 TERMINATION BY SEGAMI. Segami may terminate this Agreement if Digirad is in material breach of or default under, this Agreement and such breach or default is not cured within *** days after written notice to Digirad. A material breach of and default

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under, this Agreement by Digirad shall include, without limitation, the occurrence of the failure of Digirad to pay any License Fee when due.

10.3 SURVIVAL. Sections 5-15 of this Agreement, any accrued rights to payment, any licenses granted in this Agreement that are expressly perpetual and any remedies for breach of this Agreement shall survive

termination.

11. LIMITATION OF LIABILITY.

(a) Except under Section 8 and the indemnity provisions of Section 12, neither party nor its affiliates shall, under any circumstances, be liable to the other party or its affiliates for any claim based upon any third party claim or for consequential, incidental, indirect, punitive, exemplary or special damages of any nature whatsoever, or for any damages arising out of or in connection with any malfunctions, delays, loss of data, loss of profit, interruption of service or loss of business or anticipatory profits, even if a party or its affiliates have been apprised of the likelihood of such damages occurring.

(b) ***
***
***

12. INDEMNIFICATION

(a) The parties each agree to indemnify, defend and hold harmless the other from and against any and all amounts, including legal fees and other out-of-pocket expenses, payable under any judgment, verdict, court order or settlement for death or bodily injury or the damage to or loss or destruction of any real or tangible personal property to the extent arising out of the indemnitor's negligence, gross negligence, or willful misconduct in the performance of this Agreement.

(b) Segami agrees to indemnify, defend and hold harmless Digirad, its distributors and end-users from and against any and all amounts, including legal fees and other out-of-pocket expenses, payable under any judgment, verdict, court order or settlement to the extent resulting from any third party allegation that the Base Software or the work performed by Segami under this Agreement infringes such third party's intellectual property rights, including, without limitation, patent, copyright or trade secret. Should Digirad's use of work performed by Segami be determined to have infringed, or if in Segami's and Digirad's reasonable judgment such use is likely to be infringing, *** *** ***

(c) Digirad agrees to indemnify, defend and hold harmless Segami from and against any and all amounts payable under any judgment, verdict, court order or settlement to the extent resulting from any affiliated third party allegation that the work performed by Segami under this Agreement infringes such third party's intellectual property rights to the extent attributable to software, hardware, data, knowledge or services provided by Digirad.

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(d) The indemnities in this paragraph are contingent upon: (1) the indemnified party promptly notifying the indemnifying party in writing of any claim which may give rise to a claim for indemnification hereunder; (2) the indemnifying party being allowed to control the defense and settlement of such claim; and (3) the indemnified party cooperating with all reasonable requests of the indemnifying party (at the indemnifying party' expense) in defending or settling such claim. The indemnified party shall have the right, at its option and expense, to participate in the defense of any action, suitor proceeding relating to such a claim through a counsel of its own choosing.

13. WARRANTIES. Segami warrants that it has and will obtain agreements with its employees and contractors sufficient to allow it to provide Digirad with the assignments and licenses to intellectual property rights contemplated in this Agreement. Segami also warrants that the Base Software and Interface Development and any part thereof shall meet the Specifications, and perform in a commercially reasonable manner until the later of (i) *** years from the final date of delivery on the Delivery Schedule and (ii) with respect to each product containing the Base Software and/or Interface Development, *** year from the date of installation of such product by Digirad or its distributor to an end-user. If Digirad finds that the Products, or part thereof fail to meet the above warranty, Segami shall, at its option, immediately repair or replace the Base Software and/or Interface Development or part thereof at its costs and expenses without prejudice to any other rights and remedies of Digirad under this Agreement or applicable law. If a Deliverable is rejected, the warranty will extend accordingly from any adjusted final delivery date. Except for

Section 14, notwithstanding anything to the contrary contained in this Agreement, Segami makes no other warranties, express or implied, or whether arising by operation of law, course of performance or dealing, custom, usage in the trade or profession or otherwise including without limitation implied warranties of merchantability and fitness for a particular purpose.

14. MILLENNIUM WARRANTY.

14.1 GENERAL, Other sections of this Agreement notwithstanding, Segami represents and warrants that for a period of four (4) years after the Effective Date, the Base Software and the Interface Development will be able to accurately: (a) process any date-roll event with no adverse impact on the functionality of the software including without limitation, the producing of error(s) or abnormal interruption; (b) process date-data calculations including, without limitation, computation, comparisons, sequencing, sorts and extracts and return and display date-data in a consistent manner regardless of the dates used in such date-data whether before, on, during, or after January 1, 2000; (c) process any date-data computations that can be expected from the software if used for its intended purpose, regardless of the date in time on which the processes are actually performed and regardless of the date-data input, whether before, on, during or after January 1, 2000; (d) exchange date-data related information with other hardware, firmware or software with which it interacts, provided that the interacting hardware, firmware or software is itself capable of exchanging accurate date-data; (e) accept and respond to four-digit year-date input in a manner that resolves any ambiguities as to the century in a defined predetermined and appropriate manner; and (f) store and display date-data in ways that are unambiguous as to the determination of the century. No date-data shall cause such software to

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perform an abnormally ending routine or function within the processes or generate incorrect values or invalid results. For purposes of the foregoing, a date-rollover event is defined as any transaction between one calendar year and the following calendar year including, without limitation, any time, date and day-of-the-week progressions and any regularly scheduled leap events. Date-data is defined as any data, formula, algorithm, process, input or output, which includes, calculates or represents a date, day or time, a reference to a date, day or time, or a representation of a date, day or time.

14.2 SPECIAL REMEDIES. In the event of any breach of the warranties and covenants contained in this section, provided that such breach is not cured by Segami within *** days following receipt of written notice of such breach, in addition to other rights and remedies that may be available to Digirad under this Agreement, Segami shall be responsible for: (a) any costs of repairing, replacing and/or correcting the affected software; and (b) cover and other similar damages that are incurred by Digirad as a result of Segami's breach of this warranty.

15. MISCELLANEOUS

15.1 BINDING NATURE. This Agreement shall be binding upon and shall inure to the benefit of the parties to this Agreement and their respective successors and permitted assigns. Segami shall not have any right or ability to assign, transfer, or sublicense any obligations or benefit under this Agreement without the written consent of Digirad, except that Segami may assign and transfer this Agreement and its rights and obligations hereunder to any third party who succeeds to substantially all its business or assets.

15.2 ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties and there are no representations, warranties, covenants, or obligations except as set forth in this Agreement. This Agreement supersedes all prior or contemporaneous agreements understandings, negotiations and discussions, written or oral, of the parties to this Agreement, relating to any transaction contemplated by this Agreement.

15.3 SEVERABILITY. Each provision of this Agreement shall be considered separable and if for any reason any provision or provisions in this Agreement are determined to be invalid arid contrary to any existing or future law, that invalidity shall not impair the operation of this Agreement or affect those portions of this Agreement which are valid.

15.4 ARBITRATION. If any dispute or controversy arises among the parties to this Agreement concerning any provision of this Agreement, that dispute or controversy shall be submitted for resolution to a board of

arbitration in *** *** *** Such arbitration shall be conducted pursuant to the rules of the American Arbitration Association (the "AAA") or other governing rules and *** *** ***

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15.5 NO AGENCY. This Agreement shall not be deemed to constitute the parties hereto as partners, joint venturers, nor shall either patty hereto be deemed to be an agent of any nature, kind and description whatsoever of the other.

15.6 JURISDICTION AND VENUE. This Agreement shall be governed, enforced, performed and construed in accordance with the laws of the State of *** *** Subject to the provisions of Section 15.4 hereof each of the parties hereto hereby submits to the exclusive jurisdiction of the state and/or federal courts located within the State of *** for any suit, hearing or other legal proceeding of every nature, kind and description whatsoever in the event of any dispute or controversy arising hereunder or relating hereto, or in the event any ruling, finding or other legal determination is required or desired hereunder.

15.7 ATTORNEYS FEES. In the event that legal proceedings are commenced in connection with this Agreement or the transactions contemplated hereby, the party or parties *** *** ***

15.8 AMBIGUITY. The parties acknowledge that each party and its respective counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments or exhibits, or schedules hereto.

15.9 EXHIBITS. The exhibits attached hereto and each certificate, schedule, list summary or other document provided or delivered pursuant to this Agreement or in connection with the transactions contemplated hereby are incorporated herein by this reference and made a part hereof.

15.10 COUNTERPARTS. Provided that all parties hereto execute a copy of this Agreement, this Agreement may be executed in counterparts, each of which shall he deemed an original and all of which together shall constitute one and the same instrument. Executed copies of this Agreement may be delivered by facsimile transmission or other comparable electronic means.

15.11 VOLUNTARY AGREEMENT. The parties hereto represent that they have carefully read the foregoing Agreement, understood its terms, consulted with an attorney of their choice, and voluntarily signed the same as their own free act with the intent to be legally bound thereby. The terms of this Agreement are contractual and not a mere recital.

15.12 FORCE MAJEURE. Neither party shall be liable to the other for its failure to perform any of its obligations under this Agreement during any period in which such performance is delayed due to circumstances beyond its control, including acts of God or public authorities, was and war measures, civil unrest, natural disasters or delays in transportation, delivery or supply.

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15.13 NOTICE. All notices under this Agreement shall be in writing and shall be deemed given when personally delivered or three days after being sent prepaid certified or registered United States mail to the address of the party to be noticed as set forth below or such other addresses as such party last provided to the other by notice:

Digirad: Digirad Corporation
9350 Trade Place
San Diego CA 92126
Attn: President and COO

Segami:	Segami Corporation 12624 Golden Oak Drive Ellicott City MD 21042 Attn: Philippe Briandet Ph.D.
Copy to:	Christopher S. Young, Esq. 3440 Ellicott Center Drive Ste. 203 Ellicott City MD 21043

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed under seal as of the date first above written.

ATTEST: Digirad Corporation

By: /s/ ILLEGIBLE
Title: Controller (SEAL)

By: /s/ Scott Huennekens
Title: President & COO

Segami Corporation

By: /s/ ILLEGIBLE (Secretary)
Title: (SEAL)

By: /s/ ILLEGIBLE
Title: President

EXHIBIT A
PRICING SCHEDULE

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EXHIBIT B

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Information contained in this document is proprietary to DIGIRAD Corporation and
should not be released outside of the company without written permission of the
company.
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EXHIBIT C
DELIVERY SCHEDULE

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EXHIBIT D
SEGAMI'S BASE SOFTWARE

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EXHIBIT 10.3

*** CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT (INDICATED BY ASTERISKS) HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT UNDER 17 C.F.R. SECTIONS 200.80(B)(4), 200.83 AND 230.406.

LICENSE AGREEMENT

THIS LICENSE AGREEMENT ("Agreement") is made and entered into as of the *22* day of *May*, by and between CEDARS-SINAI HEALTH SYSTEM ("CSHS"), a d/b/a of CEDARS-SINAI MEDICAL CENTER, a California nonprofit public benefit corporation ("Medical Center"), and DIGIRAD CORPORATION, a Delaware corporation, ("Licensee"), with reference to the following facts:

A. CSHS has developed and is the owner of certain Technology (as such term is hereinafter defined) and has the right to grant licenses therein.

B. Licensee is desirous of obtaining from CSHS, and CSHS is willing to grant to Licensee, a non-exclusive license in and to the Technology and the Improvements (as such term is hereinafter defined) pursuant to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereby agree as follows:

1. Definitions. The following terms shall have the following meanings for purposes of this Agreement:

1.1 Affiliates. "Affiliates" shall mean, with respect to any person or entity, any other persons or entities that, directly or indirectly, control, are controlled by or are under common control with such person or entity. For this purpose, "control" of an entity shall include, without limitation, having ownership of fifty-one percent (51%) or more of the voting shares (or equivalent) of such entity, or having the right to direct, appoint or remove a majority or more of the members of the board of directors (or equivalent) of such entity, or having the power to control the general management of such entity, by contract, law or otherwise.

1.2 Confidential Information. "Confidential Information" shall mean the confidential and proprietary information of either party hereto.

1.3 CSHS Parties. "CSHS Parties" shall mean CSHS, the Medical Center and its officers, directors, employees, representatives and agents, and each of their respective successors and assigns.

1.4 End User. "End User" shall mean a customer of Licensee authorized to use a Licensed Product for internal purposes only and not for further distribution.

1.5 First Commercial Release Date. "First Commercial Release Date" shall mean the date upon which CSHS and Licensee have reasonably agreed that the functional performance of the Technology has met the Specifications and on which Licensee shall have released and made the Licensed Products available to End Users; provided, however, that the First Commercial Release Date shall occur on or before *** .

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1.6 Improvements. "Improvements" shall mean any computer software which includes all or any part of, or is based in whole or in part on, the Technology, including but not limited to translations of the Technology to other foreign or computer languages, adaptations of the Technology to other hardware platforms, abridgments, condensations and revisions to the Technology and software incorporating all or any part of the Technology which may also include modifications created by Licensee in order to meet good manufacturing practices and the standards of the United States Food and Drug Administration ("FDA").

1.7 Licensed Products. "Licensed Products" shall mean any and all products that incorporate or utilize or are manufactured using any of the Technology or the Improvements.

1.8 Licensed Field of Use. "Licensed Field of Use" shall mean *** *** *** .

1.9 New Products. "New Products" shall have the meaning set forth in Section 4 hereof.

1.10 Specifications. "Specifications" shall mean the specifications, performance standards and other descriptions of the Technology set forth on Exhibit A attached hereto.

1.11 Technology. "Technology" shall mean all computer programming code (in executable form only) and all related documentation and other written materials pertaining thereto relating to those portions of CSHS's software developed by CSHS and more fully described on Exhibit A attached hereto.

1.12 Territory. "Territory" shall mean *** *** .

1.13 Updates. "Updates" shall mean all updates, upgrades, revisions and new versions of the software code developed by CSHS which result from problem corrections of the Technology and Improvements to the Technology.

2. Grant of License.

2.1 Grant. CSHS hereby grants to Licensee a non-exclusive license (including the right, subject to Section 2.2 hereof, to grant sublicenses) in the Technology and the Improvements, subject to the other terms and conditions set forth in this Agreement for the purposes of making, having made, using and selling Licensed Products in the Territory. Without limiting the generality of the foregoing, the license granted hereby shall include the following rights: (a) the right to use, test, modify, reproduce and develop the Technology with any associated documentation, to prepare Improvements, to incorporate the Technology or any Improvement into Licensed Products and to otherwise develop Licensed Products; (b) the right to make, have made, reproduce, use, market and distribute Licensed Products to End Users, directly or indirectly, through Licensee's distributors and other distribution channels in the

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Territory; and (c) the right to use the Technology or any Improvements in connection with maintenance services relating to Licensed Products.

2.2 Sublicenses. Licensee shall have the right to grant sublicenses of the license granted pursuant to Section 2.1 hereof only to its Affiliates of Licensee and to End Users, provided that each sublicensee must agree in writing to be bound by and to observe the provisions of Section 2.3, 6, 10, 11, 12.2 and 12.3 of this Agreement. Licensee shall submit to CSHS a copy of each sublicense entered into hereunder promptly after execution thereof. As used in this Section 2.2, the term "sublicense" shall include the right of an Affiliate of Licensee to distribute or sell Licensed Products to End Users, subject to the provisions of Section 3 hereof. However, the term "sublicense" as used in this Section 2.2 shall not permit any End User to copy, distribute or sell any Licensed Products to other third parties, which is strictly prohibited hereunder.

2.3 Limitations to Grant.

(a) Limited to Licensed Field of Use. The license granted under Section 2.1 hereof shall not be construed to confer any rights upon Licensee to any intellectual property not specifically included in this Agreement, whether by implication, estoppel or otherwise. The license granted under Section 2.1 hereof is limited to the Licensed Field of Use.

(b) Non-Exclusive License. The license granted under Section 2.1 hereof is, and shall be, non-exclusive, and CSHS expressly retains the right to grant other licenses relating to the Technology and any Improvements to any third party on such terms as CSHS may, in its sole and absolute discretion, deem appropriate. CSHS also retains the right to use the Technology and any Improvements for clinical and research purposes.

(c) No Modification or Decompilation. Licensee shall not modify, disassemble, decompile, reverse engineer, recreate or generate any of the Technology or any portion or version thereof. Licensee shall not attempt any of the foregoing or aid, abet or permit any others to do so (including, without limitation, any of its Affiliates or any End Users).

(d) Copy Protection. Licensee, in exercising it rights set forth in Section 2.1(b) hereof, shall take all actions as CSHS may reasonably request to ensure that its Affiliates and End Users do not (i) take any of the actions set forth in Section 2.3(c) hereof, or (ii) duplicate, copy or otherwise distribute any Licensed Products provided to them. Licensee shall submit to CSHS a copy of all documentation prepared by Licensee to meet its obligations under this Section 2.3(d), and Licensee shall provide CSHS with a written report *** *** during the term of this Agreement containing the identity of all Affiliates holding Licensed Products and End Users, details of all sales of Licensed Products to such Affiliates and End Users and such other information as shall be reasonably requested by CSHS.

(e) Limited Rights with Respect to Code; No Competing Products. The license granted under Section 2.1 hereof is limited to the use of the executable code of the Technology solely in connection with the development of Licensed Products and Improvements by Licensee, and the performance of maintenance services relating to Licensed

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Products. Such license shall not include any right to transfer, license or otherwise dispose of the code of the Technology or any copies thereof, or to use such code to develop any software or products which are similar to or competitive with the Technology or any Improvements.

(f) Trademarks; Trade Names of CSHS and Medical Center. Nothing contained or construed to be contained in this Agreement shall constitute the grant by CSHS of any right, by way of license or otherwise, to Licensee to use any trademark or trade name of CSHS or the Medical Center without the prior written consent of CSHS or the Medical Center, which consent may be withheld by CSHS and the Medical Center in their sole and absolute discretion. All licenses relating to the Technology and Improvements conceived or first actually reduced to practice in the performance of experimental, developmental or research work funded in whole or in part by a United States governmental agency are subject to the rights, conditions and limitations imposed by the Patent and Trademark Amendments Act of 1980 (P.L. 96-517), as amended by Title V of P.L. 98-620 (1984), 35 U.S.C. §§200-212, and accordingly, the non-exclusive license granted hereunder may be held by the United States Government pursuant to 35 U.S.C. §202(c)(4). CSHS reserves the right in its sole and absolute discretion and without any consent from Licensee, to settle any interference involving the Technology and/or the Improvements by licensing the Technology and/or the Improvements, by filing a disclaimer or reissue application or in any other manner, and CSHS shall have the right to file with any appropriate governmental agency any agreement entered into in connection therewith.

3. Fees and Royalties. In consideration for the license granted by CSHS to Licensee pursuant to Section 2.1 hereof, Licensee shall pay to CSHS the fees and royalties set forth in Exhibit B attached hereto. The price established for the Licensed Product shall not exceed *** .

4. Updates. CSHS shall cause the Division of Nuclear Physics Medicine of the Medical Center to provide Licensee with all Updates developed during the term of this Agreement. Notwithstanding anything to contrary set forth herein, CSHS shall have no obligation to make available to Licensee any additional products which have no direct relationship to the Technology ("New Products"). Licensee shall not have any rights with respect to any New Products unless it has been granted the same by CSHS pursuant to a separate license agreement or an amendment to this Agreement, which separate license agreement or amendment shall contain such license fees, royalty payments and other terms regarding the New Products as may be negotiated by the parties.

5. Reports and Records.

5.1 *** Earned Royalty Payment and Reports. Licensee shall provide CSHS with written reports and earned royalty payments within *** after the end of each calendar quarter during the term of this Agreement. Each written report shall state the number and description of Licensed Products distributed during the *** *** , and the resulting calculation of earned royalty payments due CSHS covered by such report, all in accordance with the provisions of Exhibit B attached hereto. Licensee shall provide such written reports whether or not any royalties are due to CSHS for the *** *** .

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5.2 Retention of Records. Licensee shall keep and maintain complete and accurate records and documentation concerning sales or other dispositions of Licensed Products in sufficient detail to enable the royalties payable hereunder by Licensee to be determined, and Licensee shall retain such records and documentation for not less than five (5) years from the date of their creation.

5.3 Inspection of Records. During the tern of this Agreement and for a period of *** thereafter, CSHS and its representatives and agents shall have the right, upon reasonable notice to Licensee and during regular business hours, to inspect the records and documentation required to be retained by Licensee pursuant to Section 5.2 hereof.

5.4 Costs of Inspection. The costs of any inspection pursuant to Section 5.3 hereof shall be borne by CSHS, unless as a result of such inspection it is determined that the amounts payable by Licensee to CSHS for any period are in error by greater than *** *** , in which case the out-of-pocket costs of such inspection shall be borne by Licensee. CSHS shall report the results of any such inspection to Licensee, and Licensee shall promptly thereafter pay to CSHS the amount of any underpayment, and the amount of any overpayment shall be credited by CSHS against future amounts payable by Licensee to CSHS or if no future amounts are payable to CSHS within *** of the report of the result of such inspection, then the amount of any overpayment shall be refunded to Licensee. In addition, Licensee shall pay interest on the amount of any such underpayment at a rate which is the lower

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6. Title to the Technology; Marking; License to Copyright.

6.1 Title to the Technology. Licensee acknowledges that CSHS shall retain title to the Technology and all Improvements.

6.2 Marking. Licensee shall mark all Licensed Products (or their containers or labels) which are made, sold or otherwise disposed of by Licensee under the license granted pursuant to Section 2.1 hereof in such manner as is intended to protect or preserve CSHS's rights to the Technology and the Improvements as is customary in the market for the Licensed Products or in such a manner as CSHS may designate in writing to Licensee. Without limiting the generality of the foregoing, Licensee agrees that all copies of Licensed Products and related documentation made by Licensee pursuant to the license granted herein shall include a copyright notice in the following form: "© 2000 Cedars-Sinai Medical Center. All rights reserved." The copyright notice shall be affixed to all copies or portions thereof in such manner and location as to give reasonable notice to CSHS's claim of copyright.

6.3 License to Copyright and Patent (if any). The license granted under Section 2.1 hereof includes a license under CSHS's copyright in the Technology and any Improvement. In the event that the Technology or any Improvement becomes subject to or covered by, the allowed claims of any patent issued or assigned to CSHS, the license granted to Licensee hereunder shall be deemed to include a license under such patent to the extent necessary to permit Licensee to exercise its rights under this Agreement.

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7. Delivery of Materials; Testing; Governmental Approvals.

7.1 Delivery of Materials. Upon the execution and delivery of this Agreement by Licensee, CSHS shall deliver to Licensee one (1) copy of any relevant documentation, the object code (in executable form only) for the Technology as it currently exists. CSHS and Licensee shall thereafter exchange updates and enhancements to the Technology no less frequently than once per calendar quarter until the Technology has conformed to the Specifications. Thereafter, CSHS shall provide Licensee with relevant documentation and object code updates for the Technology upon corrections or improvements of the Technology's performance characteristics. The material delivered by CSHS to Licensee under this Section 7.1 shall contain the object

code for the Technology in an executable form only and suitable for installation and use by Licensee, and shall include the full set of material comprising the Technology and complete program maintenance documentation, including all flow charts, schematics and annotations which constitute the pre-coding detailed design specifications, test plan with results and all other materials necessary to allow a reasonably skilled computer programmer or analyst familiar with the Technology to maintain or support the Technology without the help of any other person or reference to any other material. CSHS shall promptly supplement the object code materials delivered to Licensee under this Section 7.1 with all changes or additions so that the object code materials correspond fully to the most current version of the Technology during the term of this Agreement.

7.2 Testing. CSHS and Licensee shall jointly (a) test all Technology and Improvements for proper operation, and (b) perform any debugging on Technology and Improvements, and (c) CSHS shall make or suggest any corrections necessary for Technology and Improvements to achieve performance in accordance with the Specifications and acceptable commercial standards.

7.3 Governmental Approvals. Notwithstanding anything to the contrary set forth herein, CSHS shall have no obligation to obtain any domestic or foreign governmental approvals (including, without limitation, any approvals of the FDA) with respect to the Technology, Improvements or Licensed Product. Licensee shall be responsible for seeking and obtaining any necessary domestic and foreign governmental approvals (including, without limitation, any and all approvals of the FDA) with respect to the Licensed Products as Licensee shall deem appropriate. The failure by Licensee to obtain any governmental approval shall not be deemed a breach by Licensee of this Agreement.

8. Support. CSHS shall cause the Division of Nuclear Physics Medicine of the Medical Center to assist Licensee with the evaluation, maintenance and support of Licensed Products during the term of this Agreement. Such assistance will be limited to work performed on the original Technology, upgrades, revisions and new versions of the software code, and providing debugging and technical support services. In the event that the Division is unable to provide the assistance which may be reasonably necessary to Licensee during the term hereof, CSHS shall have no obligation to provide such assistance, and representatives of CSHS and Licensee shall meet to discuss whether or not any modifications of the terms of this Agreement are necessary.

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9. Milestones. Licensee shall have commenced marketing of the Licensed Products on or before the First Commercial Release Date. Further, Licensee shall satisfy the market demand for the Licensed Products during the term of this Agreement.

10. Compliance with Laws. Licensee shall conduct all activities pursuant to this Agreement in an ethical and businesslike manner and in substantial compliance with all applicable laws, rules and regulations of all applicable governmental authorities. Licensee shall provide to CSHS any data compilations, records, reports or other information regarding the Technology, the Improvements and/or the Licensed Products which CSHS may reasonably require for submission to any governmental authorities in order to comply with any applicable laws, rules or regulations.

11. Confidentiality.

11.1 Obligation. Each party acknowledges that this Agreement may require the disclosure by one party to the other party of its Confidential Information. Each party shall regard and preserve the Confidential Information of the other party as secret and confidential, and during the term of this Agreement and for a period of *** thereafter neither party shall publish or disclose any Confidential Information in any manner without the prior written consent of the other party. Notwithstanding the foregoing, however, the parties agree that Licensee's obligation under this Section 11.1 with respect to the code for the Technology or any Improvement (to the extent they constitute "Confidential Information" hereunder) shall be unlimited in duration. Each party shall use the same level of care to prevent the disclosure of the Confidential Information of the other party that it exercises in protecting its own Confidential Information and shall, in any event, take all reasonable precautions to prevent the disclosure of Confidential Information to any third party.

11.2 Non-Confidential Information. The following shall not be considered to be Confidential Information: (a) information which is publicly known or which becomes publicly known through no fault of the receiving party; (b) information which is lawfully obtained by the receiving party from a third party (which third party itself lawfully obtained the Confidential Information and has no obligation of confidentiality); and (c) information which is in the lawful possession of the receiving party, as documented by the records of such receiving party, prior to such information having been initially disclosed by the disclosing party.

11.3 Publicity. Neither party shall, without the prior written consent of the other party, disclose to any third party the terms or conditions of this Agreement unless such disclosure is required under applicable law or in connection with the legal enforcement of this Agreement.

11.4 Injunctive Relief. Each party acknowledges that in the event of any breach or default or threatened breach or default by either party of Section 11.1 or Section 11.3 hereof, the other party may be irreparably damaged and that it would be extremely difficult and impractical to measure such damage, so that the remedy of damages at law would be inadequate. Consequently, each party acknowledges and agrees that other party, in addition to any other available rights or remedies and without the necessity of posting any bond or similar

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security, shall be entitled to specific performance, injunctive relief and any other equitable remedy for the breach or default or threatened breach or default of said Section 11.1 or Section 11.3, and each party waives any defense that a remedy at law or damages is adequate.

12. Representations and Warranties; Limitation on Damages.

12.1 Authority. Each party represents and warrants to the other party that this Agreement has been duly authorized, executed and delivered by it and that this Agreement is its binding obligation, enforceable in accordance with its terms, subject, as to enforcement of remedies, to applicable bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally, and to general equitable principles.

12.2 DISCLAIMER. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, CSHS MAKES NO REPRESENTATIONS OR WARRANTIES, EITHER EXPRESS OR IMPLIED (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR ANY EXPRESS OR IMPLIED WARRANTY THAT THE USE OF THE TECHNOLOGY OR THE MANUFACTURE, USE OR SALE OF ANY OF THE LICENSED PRODUCTS WILL NOT INFRINGE ANY PATENT, COPYRIGHT OR RIGHT OF ANY THIRD PARTY), OF ANY KIND OR NATURE WHATSOEVER.

12.3 LIMITATION ON DAMAGES. IN NO EVENT SHALL CSHS BE LIABLE FOR ANY LOSS OF OR DAMAGE TO REVENUES, PROFITS OR GOODWILL OR OTHER SPECIAL, INCIDENTAL, INDIRECT OR CONSEQUENTIAL DAMAGES OF ANY KIND RESULTING FROM CSHS'S PERFORMANCE OR FAILURE TO PERFORM ANY OBLIGATIONS UNDER THIS AGREEMENT, OR RESULTING FROM THE FURNISHING, PERFORMANCE, USE OR LOSS OF USE OF ANY PART OF THE TECHNOLOGY, IMPROVEMENTS LICENSED PRODUCTS, OR ANY DATA, INFORMATION OR OTHER PROPERTY OF LICENSEE, INCLUDING, WITHOUT LIMITATION, ANY INTERRUPTION OF LICENSEE'S BUSINESS, WHETHER RESULTING FROM BREACH OF CONTRACT OR BREACH OF WARRANTY, EVEN IF LICENSOR HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

13. Indemnification and Insurance.

13.1 Indemnification. *** shall indemnify, defend and hold harmless *** from and against any and all claims, demands, lawsuits, actions, proceedings, liabilities, losses, damages, fees, costs and expenses (including, without limitation, attorneys' fees, and costs of investigation and experts (whether or not suit is filed)) resulting from or arising out of (a) the manufacture, use or sale of any of the Licensed Products or the exercise *** of any right granted hereunder, including, without limitation, any liabilities, losses or damages whatsoever with respect to death or injury to any individual or damage to any property arising from the possession, use or operation of any of the Licensed Products *** *** in any manner whatsoever (except to the extent such death, injury or

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damage arises directly from the failure or malfunction of the Technology or Improvements *** *** in accordance with this Agreement), or (b) any claim that ***
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13.2 Insurance. Licensee shall maintain at all times during and after the term of this Agreement comprehensive general liability insurance, including product liability insurance, with reputable and financially secure insurance carriers and having commercially reasonable limits giving due consideration to the nature and extent of such activities and the risks inherent therein to cover the activities of Licensee contemplated by this Agreement. Any such insurance shall provide for no cancellation or material alteration except upon at least thirty (30) days' prior written notice to CSHS. Licensee shall timely provide CSHS with certificates of insurance evidencing such coverage.

14. Infringement.

14.1 Third Party Infringement. In the event that *** learns of facts which it concludes may constitute an infringement of any of the Technology or any Improvements by any third party during the term of this Agreement, *** *** shall promptly notify *** in writing, setting forth such facts and the basis for its conclusion, and shall include with such notice any other reasonably available evidence in support thereof.

14.2 Procedure. *** shall have the right, but no the obligation, to take all appropriate action against the infringing party and ***
***
incurred in connection with such action. *** , at its own expense, shall have the right to participate in, and, to the extent that it may wish, to jointly assume the prosecution of such action with counsel reasonably satisfactory to *** . If *** declines to take action, then *** shall have the right to take such action. In the event *** does elect to take action, ***
shall pay or reimburse *** for all costs and expenses (including without limitation attorneys' fees and costs of investigation and experts) incurred by *** request or as may be required in order for *** to pursue such action. *** shall obtain the consent of *** prior to settling any such action.

14.3 Proceeds. Any proceeds from any settlement or judgment of any infringement claim, action, suit or proceeding brought by *** shall be allocated and/or paid within *** of receipt thereof as follows: (a) first to reimburse ***
***
***
***

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14.4 Nominal Plaintiff. In the event any infringement action, suit or proceeding is brought hereunder by *** to enforce any rights in the Technology in the Territory, *** shall upon the written request of *** , be named, joined and participate therein as a nominal plaintiff.

14.5 Indemnification. *** shall indemnify, defend and hold harmless *** from and against any and all claims, demands lawsuits, actions, proceedings, liabilities, losses, damages, fees, costs and expenses (including, without limitation, attorneys' fees, and costs of investigation and experts (whether or not suit is filed)) resulting from or arising out of any claim that *** use of the Technology or Improvements in accordance with this Agreement infringes or violates any patent, copyright or other intellectual property rights of any third party.

15. Term. This Agreement shall become effective on the date first above written and shall remain in effect until *** *** .

16. Termination.

16.1 Termination *** . This Agreement may be terminated *** *** ***

16.2 Effect of Termination or Expiration. Upon the termination or expiration of the term of this Agreement, the license granted by CSHS to Licensee pursuant to Section 2.1 hereof shall terminate. Notwithstanding any termination or expiration of the term of this Agreement, Licensee shall be permitted to sell or otherwise dispose of all Licensed Products then in inventory and shall have the obligation to pay to CSHS all amounts which have accrued or shall accrue by reason of the sale of such Licensed Products. Licensee shall not be entitled to any refund of any amounts by reason of any termination or expiration of the term of this Agreement. Notwithstanding anything to the contrary set forth in this Agreement, in no event shall any rights afforded to End Users pursuant to Section 2.1(b) terminate as a result of expiration or termination of this Agreement for any reason.

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17. Assignment. The rights and obligations of Licensee under this Agreement shall not be assignable without the prior written consent of CSHS (which consent may be granted or withheld by CSHS in its sole and absolute discretion) except in the event of a merger, consolidation or sale of substantially all of the assets of Licensee. In the event of any such merger, consolidation or sale of assets, CSHS shall have the right to approve or disapprove, on a reasonable basis, the use of any Licensed Products by the person or entity which is the successor-in-interest to Licensee. The rights and obligations of CSHS hereunder shall be assignable without the prior written consent of Licensee, upon written notice to Licensee.

18. Notice. Any notice or other communication hereunder must be given in writing and either (a) delivered in person, (b) transmitted by facsimile or telecopy mechanism provided that any notice so given is also mailed as provided herein, (c) delivered by Federal Express® or similar commercial delivery service or (d) mailed by certified mail, postage prepaid, return receipt requested, to the party to which such notice or communication is to be given at the address set forth on the signature page of this Agreement or to such other address or to such other person as either party shall have last designated by such notice to the other party. Each such notice or other communication shall be effective (i) when personally delivered, (ii) if given by telecommunication, when transmitted, (iii) if given by mail, seven (7) days after such communication is deposited in the mail and addressed as aforesaid, (iv) if given by Federal Express® or similar commercial delivery service, three (3) business days after such communication is deposited with such service using next business day delivery and addressed as aforesaid, and (v) if given by any other means, when actually delivered at such address.

19. Arbitration. Any disagreement or any question of determination of terms, interpretation, enforceability or validity arising under or relating to the provisions of this Agreement or the subject matter hereof shall be settled by binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA") and such arbitration shall be held in Los Angeles, California. The arbitrability of any such disagreement or question of determination shall likewise be subject to arbitration. The parties shall use their best efforts to cause any such arbitration to be completed as quickly as possible. The parties shall equally share the costs of the arbitrator(s), transcripts and any official translator(s). Any order, award or decision resulting from any such arbitration shall be final and binding upon the parties and shall be enforceable in any court of competent jurisdiction.

20. Governing Law. This Agreement and the legal relations between the parties shall be governed by and construed in accordance with the laws of the State of California, except where such are governed exclusively by federal law.

21. Attorneys' Fees. In any arbitration or action between the parties seeking enforcement of any of the provisions of this Agreement, the prevailing party in such arbitration or action shall be awarded, in addition to damages, injunctive or other relief, its reasonable costs and expenses, not limited to taxable costs, and reasonable attorneys' fees.

22. Relationship of Parties. Each party shall conduct all business in its own name as an independent contractor. No joint venture, partnership, employment, agency or similar arrangement is created between the parties. Neither party has the right or power to act for

or on behalf of the other or to bind the other in any respect, to pledge its credit, to accept any service of process upon it, or to receive any notices of any nature whatsoever on its behalf.

23. Severability. If any provision of this Agreement is determined to be illegal, invalid or otherwise unenforceable by a court of competent jurisdiction then, to that extent and within the jurisdiction in which it is illegal, invalid or unenforceable, it shall be limited, construed or severed

and deleted from this Agreement, and the remaining extent and/or remaining portions hereof shall survive, remain in full force and effect and continue to be binding and shall not be affected except insofar as may be necessary to make sense hereof, and shall be interpreted to give effect to the intention of the parties insofar as that is possible.

24. Entire Agreement. This Agreement (including all exhibits attached hereto which are herein incorporated by this reference) contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all previous negotiations, agreements, arrangements and understandings with respect to the subject matter hereof.

25. Interpretation. The normal rule of construction that an agreement shall be interpreted against the drafting party shall not apply to this Agreement. In this Agreement, whenever the context so requires, the masculine, feminine or neuter gender, and the singular or plural number or tense, shall include the others.

26. Amendment and Waiver. Neither this Agreement nor any of its provisions may be amended, changed, modified or waived except in a writing duly executed by an authorized officer of the party to be bound thereby.

27. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties and their respective legal representatives, successors and permitted assigns.

28. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, and such counterparts together shall constitute one agreement.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands as of the day and year first above written.

"CSHS":

CEDARS-SINAI HEALTH SYSTEM
Cedars-Sinai Medical Center
8700 Beverly Boulevard
Los Angeles, CA 90048-1865
Attn: Senior Vice President & CFO
Facsimile: (310) 423-0101

By: */s/ Schlomo Melmed, M.D.*
Shlomo Melmed, M.D.
Senior Vice President for
Academic Affairs

By : */s/ Edward M. Prunchunas*
Edward M. Prunchunas
Senior Vice President for
Finance & CFO

"LICENSEE":

DIGIRAD, INC.

9350 Trade Place
San Diego, California 92126-6334
Attn: President & CEO
Facsimile: (858) 549-9789

By: */s/ R. Scott Huennekens*
R. Scott Huennekens
Digirad Corporation

TECHNOLOGY AND SPECIFICATIONS

1. Technology.

General Description: All information, data and know-how, whether patentable or unpatentable, in whatever form or medium, relating to those portions of CSHS's software technologies known as: ***
***
***

2. Specifications.
[to be attached]

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EXHIBIT A

FEES, ROYALTIES AND PAYMENT

1. Royalties. Licensee shall pay to CSHS royalties in the amounts set forth in the following table for each of the Licensed Products sold or otherwise distributed by Licensee during the term of the Agreement. Royalties shall accrue and be payable ***

***

*** . (For the purposes of this section, the word "sale" shall mean the date on which the Licensee ships the Licensed Product to the particular End User.)

Royalties for individual software packages within Technology shall be as follows:

***

Amount of Royalty per Copy
***

***

Amount of Royalty per Copy
***

***

Amount of Royalty per Copy
***

Licensee shall be responsible for all royalties due hereunder with respect to sales or other dispositions of Licensed Products to its Affiliates. Each payment of royalties pursuant hereto shall be accompanied by a statement setting forth (a) the number of Licensed Products sold, and (b) such additional details as may be necessary for the calculation of the royalty payment.

2. Payments. All payments by Licensee to CSHS shall be made in United States Dollars by check and shall be without set-off and free and clear of and without any deduction or withholding for or on account of any taxes, duties, levies, imposts or similar fees or charges. If any restrictions on the transfer of currency exist in any country or other jurisdiction so as to prevent Licensee from making payments to CSHS in the United States, Licensee shall take all reasonable steps to obtain a waiver of such restrictions or otherwise enable Licensee to make such payments, and if Licensee is unable to do so, Licensee shall make such payments to CSHS to a bank account or other depository designated by CSHS in such country or jurisdiction, which payments shall be in the local currency of such country or jurisdiction unless payment in United States Dollars is permitted. Any payment by Licensee to CSHS on the basis of sales of Licensed Products in currencies other than Untied States Dollars shall be calculated using the appropriate foreign exchange rate for such currency quoted in *The Wall Street Journal* for the close of business of the last banking day of the calendar quarter for which such payment is being made.

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EXHIBIT B

FEES, ROYALTIES AND PAYMENT

3. *** Royalties. Licensee agrees to pay for a *** ***
***
***
***

4. Late Payments. ***
***
***
***

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EXHIBIT 10.4

*** CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT (INDICATED BY ASTERISKS) HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT UNDER 17 C.F.R. SECTIONS 200.80(B)(4), 200.83 AND 230.406.

LICENSE AGREEMENT

THIS LICENSE AGREEMENT ("Agreement") is made and entered into as of the *1st* day of *April*, 2003, by and between CEDARS-SINAI HEALTH SYSTEM ("CSHS"), a d/b/a of CEDARS-SINAI MEDICAL CENTER, a California nonprofit public benefit corporation ("Medical Center"), and DIGIRAD CORPORATION, a Delaware corporation, ("Licensee"), with reference to the following facts:

A. CSHS has developed and is the owner of certain Technology (as such term is hereinafter defined) and has the right to grant licenses therein.

B. Licensee is desirous of obtaining from CSHS, and CSHS is willing to grant to Licensee, a non-exclusive license in and to the Technology and the Improvements (as such term is hereinafter defined) pursuant to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the promises and the mutual covenants contained herein, the parties hereby agree as follows:

1. Definitions. The following terms shall have the following meanings for purposes of this Agreement:

1.1 Affiliates. "Affiliates" shall mean, with respect to any person or entity, any other persons or entities that, directly or indirectly, control, are controlled by or are under common control with such person or entity. For this purpose, "control" of an entity shall include, without limitation, having ownership of fifty-one percent (51%) or more of the voting shares (or equivalent) of such entity, or having the right to direct, appoint or remove a majority or more of the members of the board of directors (or equivalent) of such entity, or having the power to control the general management of such entity, by contract, law or otherwise.

1.2 Confidential Information. "Confidential Information" shall mean the confidential and proprietary information of either party hereto.

1.3 CSHS Parties. "CSHS Parties" shall mean CSHS, the Medical Center and its officers, directors, employees, representatives and agents, and each of their respective successors and assigns.

1.4 End User. "End User" shall mean a customer of Licensee authorized to use a Licensed Product for internal purposes only and not for further distribution.

1.5 First Commercial Release Date. "First Commercial Release Date" shall mean the date upon which CSHS and Licensee have reasonably agreed that the functional performance of the Technology has met the Specifications and on which Licensee shall have released and made the Licensed Products available to End Users; provided, however, that the First Commercial Release Date shall occur on or before *** .

1.6 Improvements. "Improvements" shall mean any computer software which includes all or any part of, or is based in whole or in part on, the Technology, including but not limited to translations of the Technology to other foreign or computer languages, adaptations of the Technology to other hardware platforms, abridgments, condensations and revisions to the Technology and software incorporating all or any part of the Technology which may also include modifications created by Licensee in order to meet good manufacturing practices and the standards of the United States Food and Drug Administration ("FDA").

1.7 Licensed Products. "Licensed Products" shall mean any and all products that incorporate or utilize or are manufactured using any of the Technology or the Improvements.

1.8 Licensed Field of Use. "Licensed Field of Use" shall mean ***

***
*** .

1.9 New Products. "New Products" shall have the meaning set forth in Section 4 hereof.

1.10 Specifications. "Specifications" shall mean the specifications, performance standards and other descriptions of the Technology set forth on Exhibit A attached hereto.

1.11 Technology. "Technology" shall mean all computer programming code (in executable form only) and all related documentation and other written materials pertaining thereto relating to those portions of CSHS's software developed by CSHS and more fully described on Exhibit A attached hereto.

1.12 Territory. "Territory" shall mean ***

*** .

1.13 Updates. "Updates" shall mean all updates, upgrades, revisions and new versions of the software code developed by CSHS which result from problem corrections of the Technology and Improvements to the Technology.

2. Grant of License.

2.1 Grant. CSHS hereby grants to Licensee a non-exclusive license (including the right, subject to Section 2.2 hereof, to grant sublicenses) in the Technology and the Improvements, subject to the other terms and conditions set forth in this Agreement for the purposes of making, having made, using and selling Licensed Products in the Territory. Without limiting the generality of the foregoing, the license granted hereby shall include the following rights: (a) the right to use, test, modify, reproduce and develop the Technology with any associated documentation, to prepare Improvements, to incorporate the Technology or any Improvement into Licensed Products and to otherwise develop Licensed Products; (b) the right to make, have made, reproduce, use, market and distribute Licensed Products to End Users, directly or indirectly, through Licensee's distributors and other distribution channels in the

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Territory; and (c) the right to use the Technology or any Improvements in connection with maintenance services relating to Licensed Products.

2.2 Sublicenses. Licensee shall have the right to grant sublicenses of the license granted pursuant to Section 2.1 hereof only to its Affiliates of Licensee and to End Users, provided that each sublicensee must agree in writing to be bound by and to observe the provisions of Section 2.3, 6, 10, 11, 12.2 and 12.3 of this Agreement. Licensee shall submit to CSHS a copy of each sublicense entered into hereunder promptly after execution thereof. As used in this Section 2.2, the term "sublicense" shall include the right of an Affiliate of Licensee to distribute or sell Licensed Products to End Users, subject to the provisions of Section 3 hereof. However, the term "sublicense" as used in this Section 2.2 shall not permit any End User to copy, distribute or sell any Licensed Products to other third parties, which is strictly prohibited hereunder.

2.3 Limitations to Grant.

(a) Limited to Licensed Field of Use. The license granted under Section 2.1 hereof shall not be construed to confer any rights upon Licensee to any intellectual property not specifically included in this Agreement, whether by implication, estoppel or otherwise. The license granted under Section 2.1 hereof is limited to the Licensed Field of Use.

(b) Non-Exclusive License. The license granted under Section 2.1 hereof is, and shall be, non-exclusive, and CSHS expressly retains the right to grant other licenses relating to the Technology and any Improvements to any third party on such terms as CSHS may, in its sole and absolute discretion, deem appropriate. CSHS also retains the right to use the Technology and any Improvements for clinical and research purposes.

(c) No Modification or Decompilation. Licensee shall not modify, disassemble, decompile, reverse engineer, recreate or generate any of the Technology or any portion or version thereof. Licensee shall not attempt any of the foregoing or aid, abet or permit any others to do so (including, without limitation, any of its Affiliates or any End Users).

(d) Copy Protection. Licensee, in exercising it rights set forth in Section 2.1(b) hereof, shall take all actions as CSHS may reasonably request to ensure that its Affiliates and End Users do not (i) take any of the actions set forth in Section 2.3(c) hereof, or (ii) duplicate, copy or otherwise distribute any Licensed Products provided to them. Licensee shall submit to CSHS a copy of all documentation prepared by Licensee to meet its obligations under this Section 2.3(d), and Licensee shall provide CSHS with a written report *** *** during the term of this Agreement containing the identity of all Affiliates holding Licensed Products and End Users, details of all sales of Licensed Products to such Affiliates and End Users and such other information as shall be reasonably requested by CSHS.

(e) Limited Rights with Respect to Code; No Competing Products. The license granted under Section 2.1 hereof is limited to the use of the executable code of the Technology solely in connection with the development of Licensed Products and Improvements by Licensee, and the performance of maintenance services relating to Licensed

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Products. Such license shall not include any right to transfer, license or otherwise dispose of the code of the Technology or any copies thereof, or to use such code to develop any software or products which are similar to or competitive with the Technology or any Improvements.

(f) Trademarks; Trade Names of CSHS and Medical Center. Nothing contained or construed to be contained in this Agreement shall constitute the grant by CSHS of any right, by way of license or otherwise, to Licensee to use any trademark or trade name of CSHS or the Medical Center without the prior written consent of CSHS or the Medical Center, which consent may be withheld by CSHS and the Medical Center in their sole and absolute discretion. All licenses relating to the Technology and Improvements conceived or first actually reduced to practice in the performance of experimental, developmental or research work funded in whole or in part by a United States governmental agency are subject to the rights, conditions and limitations imposed by the Patent and Trademark Amendments Act of 1980 (P.L. 96-517), as amended by Title V of P.L. 98-620 (1984), 35 U.S.C. §§200-212, and accordingly, the non-exclusive license granted hereunder may be held by the United States Government pursuant to 35 U.S.C. §202(c)(4). CSHS reserves the right in its sole and absolute discretion and without any consent from Licensee, to settle any interference involving the Technology and/or the Improvements by licensing the Technology and/or the Improvements, by filing a disclaimer or reissue application or in any other manner, and CSHS shall have the right to file with any appropriate governmental agency any agreement entered into in connection therewith.

3. Fees and Royalties. In consideration for the license granted by CSHS to Licensee pursuant to Section 2.1 hereof, Licensee shall pay to CSHS the fees and royalties set forth in Exhibit B attached hereto. The price established for the Licensed Product shall not exceed *** .

4. Updates. CSHS shall cause the Division of Nuclear Physics Medicine of the Medical Center to provide Licensee with all Updates developed during the term of this Agreement. Notwithstanding anything to contrary set forth herein, CSHS shall have no obligation to make available to Licensee any additional products which have no direct relationship to the Technology ("New Products"). Licensee shall not have any rights with respect to any New Products unless it has been granted the same by CSHS pursuant to a separate license agreement or an amendment to this Agreement, which separate license agreement or amendment shall contain such license fees, royalty payments and other terms regarding the New Products as may be negotiated by the parties.

5. Reports and Records.

5.1 *** Earned Royalty Payment and Reports. Licensee shall provide CSHS with written reports and earned royalty payments within *** after the end of each calendar quarter during the term of this Agreement. Each written report shall state the number and description of Licensed Products distributed during the *** *** , and the resulting calculation of earned royalty payments due CSHS covered by such report, all in accordance with the provisions of Exhibit B attached hereto. Licensee shall provide such written reports whether or not any royalties are due to CSHS for the *** *** ..

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5.2 Retention of Records. Licensee shall keep and maintain complete and accurate records and documentation concerning sales or other dispositions of Licensed Products in sufficient detail to enable the royalties payable hereunder by Licensee to be determined, and Licensee shall retain such records and documentation for not less than five (5) years from the date of their creation.

5.3 Inspection of Records. During the term of this Agreement and for a period of *** thereafter, CSHS and its representatives and agents shall have the right, upon reasonable notice to Licensee and during regular business hours, to inspect the records and documentation required to be retained by Licensee pursuant to Section 5.2 hereof.

5.4 Costs of Inspection. The costs of any inspection pursuant to Section 5.3 hereof shall be borne by CSHS, unless as a result of such inspection it is determined that the amounts payable by Licensee to CSHS for any period are in error by greater than *** *** , in which case the out-of-pocket costs of such inspection shall be borne by Licensee. CSHS shall report the results of any such inspection to Licensee, and Licensee shall promptly thereafter pay to CSHS the amount of any underpayment, and the amount of any overpayment shall be credited by CSHS against future amounts payable by Licensee to CSHS or if no future amounts are payable to CSHS within *** of the report of the result of such inspection, then the amount of any overpayment shall be refunded to Licensee. In addition, Licensee shall pay interest on the amount of any such underpayment at a rate which is the lower

***
***
*** .

6. Title to the Technology; Marking; License to Copyright.

6.1 Title to the Technology. Licensee acknowledges that CSHS shall retain title to the Technology and all Improvements.

6.2 Marking. Licensee shall mark all Licensed Products (or their containers or labels) which are made, sold or otherwise disposed of by Licensee under the license granted pursuant to Section 2.1 hereof in such manner as is intended to protect or preserve CSHS's rights to the Technology and the Improvements as is customary in the market for the Licensed Products or in such a manner as CSHS may designate in writing to Licensee. Without limiting the generality of the foregoing, Licensee agrees that all copies of Licensed Products and related documentation made by Licensee pursuant to the license granted herein shall include a copyright notice in the following form: "© 2002 Cedars-Sinai Medical Center. All rights reserved." The copyright notice shall be affixed to all copies or portions thereof in such manner and location as to give reasonable notice to CSHS's claim of copyright.

6.3 License to Copyright and Patent (if any). The license granted under Section 2.1 hereof includes a license under CSHS's copyright in the Technology and any Improvement. In the event that the Technology or any Improvement becomes subject to or covered by, the allowed claims of any patent issued or assigned to CSHS, the license granted to Licensee hereunder shall be deemed to include a license under such patent to the extent necessary to permit Licensee to exercise its rights under this Agreement.

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7. Delivery of Materials; Testing; Governmental Approvals.

7.1 Delivery of Materials. Upon the execution and delivery of this Agreement by Licensee, CSHS shall deliver to Licensee one (1) copy of any relevant documentation, the object code (in executable form only) for the Technology as it currently exists. CSHS and Licensee shall thereafter exchange updates and enhancements to the Technology no less frequently than once per calendar quarter until the Technology has conformed to the Specifications. Thereafter, CSHS shall provide Licensee with relevant documentation and object code updates for the Technology upon corrections or improvements of the Technology's performance characteristics. The material delivered by CSHS to Licensee under this Section 7.1 shall contain the object code for the Technology in an executable form only and suitable for installation and use by Licensee, and shall include the full set of material comprising the Technology and complete program maintenance documentation, including all flow charts, schematics and annotations which constitute the pre-coding

detailed design specifications, test plan with results and all other materials necessary to allow a reasonably skilled computer programmer or analyst familiar with the Technology to maintain or support the Technology without the help of any other person or reference to any other material. CSHS shall promptly supplement the object code materials delivered to Licensee under this Section 7.1 with all changes or additions so that the object code materials correspond fully to the most current version of the Technology during the term of this Agreement.

7.2 Testing. CSHS and Licensee shall jointly (a) test all Technology and Improvements for proper operation, and (b) perform any debugging on Technology and Improvements, and (c) CSHS shall make or suggest any corrections necessary for Technology and Improvements to achieve performance in accordance with the Specifications and acceptable commercial standards.

7.3 Governmental Approvals. Notwithstanding anything to the contrary set forth herein, CSHS shall have no obligation to obtain any domestic or foreign governmental approvals (including, without limitation, any approvals of the FDA) with respect to the Technology, Improvements or Licensed Product. Licensee shall be responsible for seeking and obtaining any necessary domestic and foreign governmental approvals (including, without limitation, any and all approvals of the FDA) with respect to the Licensed Products as Licensee shall deem appropriate. The failure by Licensee to obtain any governmental approval shall not be deemed a breach by Licensee of this Agreement.

8. Support. CSHS shall cause the Division of Nuclear Physics Medicine of the Medical Center to assist Licensee with the evaluation, maintenance and support of Licensed Products during the term of this Agreement. Such assistance will be limited to work performed on the original Technology, upgrades, revisions and new versions of the software code, and providing debugging and technical support services. In the event that the Division is unable to provide the assistance which may be reasonably necessary to Licensee during the term hereof, CSHS shall have no obligation to provide such assistance, and representatives of CSHS and Licensee shall meet to discuss whether or not any modifications of the terms of this Agreement are necessary.

9. Milestones. Licensee shall have commenced marketing of the Licensed Products on or before the First Commercial Release Date. Further, Licensee shall satisfy the market demand for the Licensed Products during the term of this Agreement.

10. Compliance with Laws. Licensee shall conduct all activities pursuant to this Agreement in an ethical and businesslike manner and in substantial compliance with all applicable laws, rules and regulations of all applicable governmental authorities. Licensee shall provide to CSHS any data compilations, records, reports or other information regarding the Technology, the Improvements and/or the Licensed Products which CSHS may reasonably require for submission to any governmental authorities in order to comply with any applicable laws, rules or regulations.

11. Confidentiality.

11.1 Obligation. Each party acknowledges that this Agreement may require the disclosure by one party to the other party of its Confidential Information. Each party shall regard and preserve the Confidential Information of the other party as secret and confidential, and during the term of this Agreement and for a period of *** thereafter neither party shall publish or disclose any Confidential Information in any manner without the prior written consent of the other party. Notwithstanding the foregoing, however, the parties agree that Licensee's obligation under this Section 11.1 with respect to the code for the Technology or any Improvement (to the extent they constitute "Confidential Information" hereunder) shall be unlimited in duration. Each party shall use the same level of care to prevent the disclosure of the Confidential Information of the other party that it exercises in protecting its own Confidential Information and shall, in any event, take all reasonable precautions to prevent the disclosure of Confidential Information to any third party.

11.2 Non-Confidential Information. The following shall not be considered to be Confidential Information: (a) information which is publicly known or which becomes publicly known through no fault of the receiving party; (b) information which is lawfully obtained by the receiving party from a third party (which third party itself lawfully obtained the Confidential Information and has no obligation of confidentiality); and (c) information which is in the lawful possession of the receiving party, as documented by the records of such receiving party, prior to such information having been initially disclosed by the disclosing party.

11.3 Publicity. Neither party shall, without the prior written consent of the other party, disclose to any third party the terms or conditions of this Agreement unless such disclosure is required under applicable law or in connection with the legal enforcement of this Agreement.

11.4 Injunctive Relief. Each party acknowledges that in the event of any breach or default or threatened breach or default by either party of Section 11.1 or Section 11.3 hereof, the other party may be irreparably damaged and that it would be extremely difficult and impractical to measure such damage, so that the remedy of damages at law would be inadequate. Consequently, each party acknowledges and agrees that other party, in addition to any other available rights or remedies and without the necessity of posting any bond or similar

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security, shall be entitled to specific performance, injunctive relief and any other equitable remedy for the breach or default or threatened breach or default of said Section 11.1 or Section 11.3, and each party waives any defense that a remedy at law or damages is adequate.

12. Representations and Warranties; Limitation on Damages.

12.1 Authority. Each party represents and warrants to the other party that this Agreement has been duly authorized, executed and delivered by it and that this Agreement is its binding obligation, enforceable in accordance with its terms, subject, as to enforcement of remedies, to applicable bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally, and to general equitable principles.

12.2 DISCLAIMER. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, CSHS MAKES NO REPRESENTATIONS OR WARRANTIES, EITHER EXPRESS OR IMPLIED (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR ANY EXPRESS OR IMPLIED WARRANTY THAT THE USE OF THE TECHNOLOGY OR THE MANUFACTURE, USE OR SALE OF ANY OF THE LICENSED PRODUCTS WILL NOT INFRINGE ANY PATENT, COPYRIGHT OR RIGHT OF ANY THIRD PARTY), OF ANY KIND OR NATURE WHATSOEVER.

12.3 LIMITATION ON DAMAGES. IN NO EVENT SHALL CSHS BE LIABLE FOR ANY LOSS OF OR DAMAGE TO REVENUES, PROFITS OR GOODWILL OR OTHER SPECIAL, INCIDENTAL, INDIRECT OR CONSEQUENTIAL DAMAGES OF ANY KIND RESULTING FROM CSHS'S PERFORMANCE OR FAILURE TO PERFORM ANY OBLIGATIONS UNDER THIS AGREEMENT, OR RESULTING FROM THE FURNISHING, PERFORMANCE, USE OR LOSS OF USE OF ANY PART OF THE TECHNOLOGY, IMPROVEMENTS LICENSED PRODUCTS, OR ANY DATA, INFORMATION OR OTHER PROPERTY OF LICENSEE, INCLUDING, WITHOUT LIMITATION, ANY INTERRUPTION OF LICENSEE'S BUSINESS, WHETHER RESULTING FROM BREACH OF CONTRACT OR BREACH OF WARRANTY, EVEN IF LICENSOR HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

13. Indemnification and Insurance.

13.1 Indemnification. *** shall indemnify, defend and hold harmless *** from and against any and all claims, demands, lawsuits, actions, proceedings, liabilities, losses, damages, fees, costs and expenses (including, without limitation, attorneys' fees, and costs of investigation and experts (whether or not suit is filed)) resulting from or arising out of (a) the manufacture, use or sale of any of the Licensed Products or the exercise *** of any right granted hereunder, including, without limitation, any liabilities, losses or damages whatsoever with respect to death or injury to any individual or damage to any property arising from the possession, use or operation of any of the Licensed Products *** *** in any manner whatsoever (except to the extent such death, injury or damage arises directly from the failure or malfunction of the Technology or Improvements *** *** in accordance with this Agreement), or (b) any claim that *** ***

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*** *** .

13.2 Insurance. Licensee shall maintain at all times during and after the term of this Agreement comprehensive general liability insurance, including product liability insurance, with reputable and financially secure insurance carriers and having commercially reasonable limits giving due consideration to the nature and extent of such activities and the risks inherent therein to cover the activities of Licensee contemplated by this Agreement. Any such insurance shall provide for no cancellation or material alteration except upon at least thirty (30) days' prior written notice to CSHS. Licensee shall timely provide CSHS with certificates of insurance evidencing such coverage.

14. Infringement.

14.1 Third Party Infringement. In the event that *** learns of facts which it concludes may constitute an infringement of any of the Technology or any Improvements by any third party during the term of this Agreement, *** *** shall promptly notify *** in writing, setting forth such facts and the basis for its conclusion, and shall include with such notice any other reasonably available evidence in support thereof.

14.2 Procedure. *** have the right, but not the obligation, to take all appropriate action against the infringing party and *** *** incurred in connection with such action. *** , at its own expense, shall have the right to participate in, and, to the extent that it may wish, to jointly assume the prosecution of such action with counsel reasonably satisfactory to *** . If *** declines to take action, then *** shall have the right to take such action. In the event *** does elect to take action, *** shall pay or reimburse *** for all costs and expenses (including without limitation attorneys' fees and costs of investigation and experts) incurred by *** or as may be required in order for *** to pursue such action. *** shall obtain the consent of *** prior to settling any such action.

14.3 Proceeds. Any proceeds from any settlement or judgment of any infringement claim, action, suit or proceeding brought by *** shall be allocated and/or paid within *** receipt thereof as follows: (a) first to reimburse *** *** *** ***

14.4 Nominal Plaintiff. In the event any infringement action, suit or proceeding is brought hereunder by *** to enforce any rights in the Technology in the Territory, *** shall upon the written request of *** , be named, joined and participate therein as a nominal plaintiff.

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14.5 Indemnification. *** shall indemnify, defend and hold harmless *** from and against any and all claims, demands lawsuits, actions, proceedings, liabilities, losses, damages, fees, costs and expenses (including, without limitation, attorneys' fees, and costs of investigation and experts (whether or not suit is filed)) resulting from or arising out of any claim that *** use of the Technology or Improvements in accordance with this Agreement infringes or violates any patent, copyright or other intellectual property rights of any third party.

15. Term. This Agreement shall become effective on the date first above written and shall remain in effect until *** *** *** .

16. Termination.

16.1 Termination *** . This Agreement may be terminated *** *** ***

16.2 Effect of Termination or Expiration. Upon the termination or expiration of the term of this Agreement, the license granted by CSHS to Licensee pursuant to Section 2.1 hereof shall terminate. Notwithstanding any termination or expiration of the term of this Agreement, Licensee shall be permitted to sell or otherwise dispose of all Licensed Products then in inventory and shall have the obligation to pay to CSHS all amounts which have accrued or shall accrue by reason of the sale of such Licensed Products. Licensee shall not be entitled to any refund of any amounts by reason of any termination or expiration of the term of this Agreement. Notwithstanding anything to the contrary set forth in this Agreement, in no event shall any rights afforded to End Users pursuant to Section 2.1(b) terminate as a result of expiration or termination of this Agreement for any reason.

17. Assignment. The rights and obligations of Licensee under this Agreement shall not be assignable without the prior written consent of CSHS (which consent may be granted or withheld by CSHS in its sole and absolute discretion) except in the event of a merger, consolidation or sale of substantially all of the assets of Licensee. In the event of any such merger, consolidation or sale of assets, CSHS shall have the right to approve or disapprove, on a reasonable basis, the use of any Licensed Products by the person or entity which is the successor-in-interest to Licensee. The rights and obligations of CSHS hereunder shall be assignable without the prior written consent of Licensee, upon written notice to Licensee.

18. Notice. Any notice or other communication hereunder must be given in writing and either (a) delivered in person, (b) transmitted by facsimile or telecopy mechanism provided that any notice so given is also mailed as provided herein, (c) delivered by Federal Express® or similar commercial delivery service or (d) mailed by certified mail, postage prepaid,

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return receipt requested, to the party to which such notice or communication is to be given at the address set forth on the signature page of this Agreement or to such other address or to such other person as either party shall have last designated by such notice to the other party. Each such notice or other communication shall be effective (i) when personally delivered, (ii) if given by telecommunication, when transmitted, (iii) if given by mail, seven (7) days after such communication is deposited in the mail and addressed as aforesaid, (iv) if given by Federal Express® or similar commercial delivery service, three (3) business days after such communication is deposited with such service using next business day delivery and addressed as aforesaid, and (v) if given by any other means, when actually delivered at such address.

19. Arbitration. Any disagreement or any question of determination of terms, interpretation, enforceability or validity arising under or relating to the provisions of this Agreement or the subject matter hereof shall be settled by binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA") and such arbitration shall be held in Los Angeles, California. The arbitrability of any such disagreement or question of determination shall likewise be subject to arbitration. The parties shall use their best efforts to cause any such arbitration to be completed as quickly as possible. The parties shall equally share the costs of the arbitrator(s), transcripts and any official translator(s). Any order, award or decision resulting from any such arbitration shall be final and binding upon the parties and shall be enforceable in any court of competent jurisdiction.

20. Governing Law. This Agreement and the legal relations between the parties shall be governed by and construed in accordance with the laws of the State of California, except where such are governed exclusively by federal law.

21. Attorneys' Fees. In any arbitration or action between the parties seeking enforcement of any of the provisions of this Agreement, the prevailing party in such arbitration or action shall be awarded, in addition to damages, injunctive or other relief, its reasonable costs and expenses, not limited to taxable costs, and reasonable attorneys' fees.

22. Relationship of Parties. Each party shall conduct all business in its own name as an independent contractor. No joint venture, partnership, employment, agency or similar arrangement is created between the parties. Neither party has the right or power to act for or on behalf of the other or to bind the other in any respect, to pledge its credit, to accept any service of process upon it, or to receive any notices of any nature whatsoever on its behalf.

23. Severability. If any provision of this Agreement is determined to be illegal, invalid or otherwise unenforceable by a court of competent jurisdiction then, to that extent and within the jurisdiction in which it is illegal, invalid or unenforceable, it shall be limited, construed or severed and deleted from this Agreement, and the remaining extent and/or remaining portions hereof shall survive, remain in full force and effect and continue to be binding and shall not be affected except insofar as may be necessary to make sense hereof, and shall be interpreted to give effect to the intention of the parties insofar as that is possible.

24. Entire Agreement. This Agreement (including all exhibits attached hereto which are herein incorporated by this reference) contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all previous negotiations, agreements, arrangements and understandings with respect to the subject matter hereof.

25. Interpretation. The normal rule of construction that an agreement shall be interpreted against the drafting party shall not apply to this Agreement. In this Agreement, whenever the context so requires, the masculine, feminine or neuter gender, and the singular or plural number or tense, shall include the others.

26. Amendment and Waiver. Neither this Agreement nor any of its provisions may be amended, changed, modified or waived except in a writing duly executed by an authorized officer of the party to be bound thereby.

27. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties and their respective legal representatives, successors and permitted assigns.

28. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, and such counterparts together, shall constitute one agreement.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands as of the day and year first above written.

"CSHS":

CEDARS-SINAI HEALTH SYSTEM
Cedars-Sinai Medical Center
8700 Beverly Boulevard
Los Angeles, CA 90048-1865
Attn: Senior Vice President & CFO

Facsimile: (310) 423-0101

By: */s/ Shlomo Melmed*
Shlomo Melmed, M.D.
Senior Vice President for
Academic Affairs

By: */s/ Edward M. Prunchunas*
Edward M. Prunchunas
Senior Vice President for
Finance & CFO

"LICENSEE":

DIGIRAD, INC.

9350 Trade Place
San Diego, California 92126-6334
Attn: David Sheehan,
President & CEO
Facsimile: (858) 549-9789

By: */s/ David Sheehan*
David Sheehan
President & CEO
Digirad Corporation

TECHNOLOGY AND SPECIFICATIONS

1. Technology.

General Description: All information, data and know-how, whether patentable or unpatentable, in whatever form or medium, relating to those portions of CSHS's software technologies known as: ***

2. Specifications.

[to be attached]

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EXHIBIT A

FEES, ROYALTIES AND PAYMENTS

1. Royalties.

(a) Sales of *** to Third Party End Users. Licensee shall pay to CSHS royalties in the amounts set forth in the following table for the Licensed Products sold or otherwise distributed by Licensee during the term of the Agreement. Royalties shall accrue and be payable ***
*** . (For the purposes of this section, the word "sale" shall mean the date on which the Licensee ships the Licensed Product to the particular End User.)

Royalties for individual software packages of MoCo and not sold as a part of a "Cedars Suite" (as such term is defined hereinafter) shall be as follows:

***

Amount of Royalty per Copy
***

(b) Sales of ***. The parties have a valid and existing License Agreement for, among other things, the *** technologies dated May 22, 2001 (" *** ") pursuant to which Licensee is obliged to pay certain royalty fees for such technologies. Pursuant to an Addendum to the *** License, Licensee has the right to license the *** technologies ***
***
***
***
.

(c) Use of *** by Licensee. The parties acknowledge that Licensee owns and operates *** mobile cameras which are used to provide services at third party sites. Licensee intends to install *** on the mobile cameras in the first quarter of 2003. The total royalties for the ***
***
***
***
.

(d) Royalty Reports. Licensee shall be responsible for all royalties due hereunder with respect to sales or other dispositions of Licensed Products to its Affiliates. Each payment of royalties pursuant hereto shall be accompanied by a statement setting forth (a) the number of Licensed Products sold individually and as a part of a *** , (b) such additional details as may be necessary for the calculation of the royalty payment and (c) in the ***
*** , a statement confirming the royalty payments made for the mobile cameras as provided in subparagraph 1(c) above.

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EXHIBIT B

FEES, ROYALTIES AND PAYMENTS

2. Payments. All payments by Licensee to CSHS shall be made in United States Dollars by check and shall be without set-off and free and clear of and without any deduction or withholding for or on account of any taxes, duties, levies, imposts or similar fees or charges. If any restrictions on the transfer of currency exist in any country or other jurisdiction so as to prevent Licensee from making payments to CSHS in the United States, Licensee shall take all reasonable steps to obtain a waiver of such restrictions or otherwise enable Licensee to make such payments, and if Licensee is unable to do so, Licensee shall make such payments to CSHS to a bank account or other depository designated by CSHS in such country or jurisdiction, which payments shall be in the local currency of such country or jurisdiction unless payment in United States Dollars is permitted. Any payment by Licensee to CSHS on the basis of sales of Licensed Products in currencies other than Untied States Dollars shall be calculated using the appropriate foreign exchange rate for such currency quoted in *The Wall Street Journal* for the close of business of the last banking day of the calendar quarter for which such payment is being made.

3. Late Payments. ***
***
***

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EXHIBIT 10.5

*** CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT (INDICATED BY ASTERISKS) HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT UNDER 17 C.F.R. SECTIONS 200.80(B)(4), 200.83 AND 230.406.

DEVELOPMENT AND SUPPLY AGREEMENT

This Development and Supply Agreement ("Agreement"), is made and entered into as of June 18, 1999, and is effective as of the 18th day of June, 1999 (the "Effective Date") by and between Digirad Corporation, a Delaware corporation ("Digirad"), and *** , a California corporation (" *** ").

WITNESSETH

WHEREAS, *** and Digirad wish to jointly develop certain products and wish to have *** supply these products to Digirad.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter expressed, the parties agree as follows:

1. DEVELOPMENT OF PRODUCTS

(a) ***. Digirad and *** shall continue to work together to develop and design
***
***
***
***

(b) Definition of Products. "Products" shall refer to the ***

(c) Reliability. *** will warrant the reliability of the product. Product reliability performance will be defined within *** , but will conform to *** .

(d) Product Quantity. "Product Quantity" equals the number of wafers that meet the Product Acceptance criteria specified in Exhibit A. Digirad and *** shall work together to develop wafer probe and dicing capabilities for the Products to enable *** to deliver *** that have passed the criteria defined in Exhibit A.

(e) Reporting: *** shall provide a written *** report to Digirad which identifies the *** development objectives, accomplishments against these objectives and a project schedule update. *** shall also provide a *** WIP (work-in-process inventory) status update and ***

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for all product and experiments. This report should be sent to the VP Operations and MDE Manager.

(f) Product Shipment Times. Digirad's orders shall be binding, to the extent set forth in Subsection 2(b); provided, however, Digirad shall be free to increase orders in any time period so long as *** is given advance notice of the requested increase in production for a period greater than the Product Shipment Lead Time. The "Product Shipment Lead Time" target is *** during the Product's development phase. Products ordered pursuant to the provisions of Subsection 2(b) below shall be delivered to Digirad on time as specified in Subsection 2(b) and all additional orders shall be delivered to Digirad no later than *** *** .

(g) Future Product. The parties will work together in good faith to develop a low-gain avalanche photodiode to be used in coincident imagining applications.

2. SUPPLY OF PRODUCTS

(a) Supply Requirements. Pursuant to the terms of this Agreement and ***
***
***

*** . Prior to the release of the *** as noted in Section 2(d), *** and Digirad will expand the acceptance requirements in Exhibit A to include quality, customer service and updates to the Product Performance criteria.

(b) Product Acceptance Criteria: The product shall meet the acceptance criteria ("Acceptance") set forth in Appendix A. Such criteria shall include, but not be limited to yield, visual inspection, and *** performance, and *** *** and shall be provided to Digirad in writing with each product lot. The criteria set forth in Appendix A represents product acceptance in the product development phase, and will become more comprehensive prior to shipment of the production unit as noted in Section 2(d).

(c) Forecasts and other Purchasing Requirements. Digirad shall notify *** on a *** of its projected requirements for Products *** *** *** . Digirad's initial purchase order will be placed for a

*** *** basis, Digirad will submit a purchase order for the *** *** .

(d) Initiation of Shipment. Production shipments of *** shall begin in *** .

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(e) Manufacturing Changes. *** shall not make any changes to the manufacturing process or manufacturing location without the prior written approval of Digirad.

(f) Conformance to Specifications and Laws. All Products supplied or delivered to Digirad under this Agreement shall be in compliance with (i) the Performance Specifications and (ii) all proper and accurate marking and label requirements under applicable laws, regulations and statutes. The Products shall (i) comply with all federal, state and local laws, rules and regulations; (ii) not be the subject of any notice directed specifically to *** from any court or other competent governmental body with respect to the Products that such Products are in violation of any law, regulation, order, decree or ruling of or restriction imposed by any judicial, governmental or regulatory body or agency; (iii) fully comply with the quality and other relevant specifications required for the Products by the relevant registration and marketing approvals for the Products. Without limiting any claims or remedies available to Digirad under the terms of this Agreement, or under applicable law, *** shall promptly take all actions, legal and otherwise, to seek the replacement of defective or nonconforming Products supplied to Digirad under this Agreement.

(g) Title, Risk of Loss and Damage. Title and risk of loss shall *** *** . Digirad shall give *** written notice of any claimed shipping error or non-conformities within *** after the date of shipment from *** . Failure of Digirad to give such notice within *** shall be deemed a waiver of Digirad's claim for shortages or incorrect shipments.

(h) Price. Prices for 1999 are detailed on Exhibit B attached hereto. ***
***
***
***

(i) Payment for Products. *** shall invoice Digirad for Digirad's purchases at the time of each shipment. Such invoices shall be payable *** from shipment of Products to Digirad.

(j) Technology Transfer and Escrow. In the event that either (i) *** has an insolvency event (as defined in 6(b))(ii) files for Bankruptcy, (iii) *** fails to produce the number of functional Products ordered by Digirad for more than sixty days (60) in any calendar year, or (iv) *** is acquired by or merged into any company with whom Digirad determine in good faith competes in the nuclear medicine imaging market, then Digirad shall receive all rights to the technology used in the Products and all necessary information, data, know how, procedures, schematics, and specifications needed to produce the Products as described in Section 6 (b) (iii). The parties will take all actions and make all necessary assignment to facilitate such transfer of rights and information. In order to

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facilitate such a transfer, *** shall place all such information with a reputable third party escrow agent pursuant to a mutually acceptable Technology Escrow Agreement within *** of the execution of this Agreement.

3. OWNERSHIP

(a) ***
***
***

(b) ***
***
***

(c) *** hereby grants Digirad a royalty free, non-exclusive, non-transferable license of the *** Process Technology and any improvements or modifications for internal use only and expressly limited to the specific application field of building *** . This License shall be limited to the terms of this Agreement, in accordance with the paragraphs 4 (a), 4 (b), and 6 (a), 6 (b), and 6 (c). *** expressly retains for all purposes all rights to the Process Technology utilized at the inception of the Digirad project addressed in this agreement. *** expressly retains the rights (including all patent rights, copyrights, trade secrets rights and other intellectual property rights) to Process Technology previously developed and that is developed pursuant to this agreement as set forth in paragraphs 4 (a), 4 (b), and 6 (a), (b), and (c) herein.

(d) ***
***

***

4. EXCLUSIVITY

(a) Noncompete. Digirad will have exclusive rights to this Technology in the *** . The initial period of exclusivity will be for

***
***
***

(b) Digirad Commitment. During the term of this Agreement Digirad shall order at least *** of its annual requirements for Products from *** . *** will help Digirad work with other suppliers by supplying technical information which will allow Digirad meet its contractual commitments which require that Digirad have alternate suppliers capable of supplying all major components. Digirad anticipates that it will give between *** of its annual Products orders to

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these other suppliers to ensure that the alternate suppliers are capable of producing Products. *** will help to organize a second source for *** *** and will ensure that this second source has the required non-compete clause in their supply agreement.

5. CONFIDENTIALITY.

In order to aid in the fulfillment of the development and supply goals of the contract, both Digirad and *** are conveying to each other and will in the future convey proprietary corporate information which each party has a significant interest in keeping protected and confidential. As a result, Digirad and *** agree that:

(i) The information furnished by one party shall not be used by the other party for any purpose, except to fulfill the obligations to the other party under this Agreement and such information will be kept confidential by the receiving party and shall not be disclosed to any third party; provided, however, that any such information may be disclosed to a receiving party's affiliates, officers and employees who need to know such information for the purpose of evaluating a possible collaboration between both parties. The one exception to this requirement is defined in Section 4(b), in which Digirad and ***
will disclose process technology to a second source *** .

(ii) In addition, no party shall without prior written consent of the other party, disclose to any unaffiliated third persons that discussions or negotiations are taking place concerning a possible collaboration between the parties or any of the terms, conditions, or other facts with respect to any such possible collaboration including the status thereof.

(iii) The term "information" as used in the here above paragraphs and the nondisclosure obligations contained in this Agreement do not include information which:

1. is or becomes generally available to the public, other than as a result of a disclosure by a defaulting party;

2. was known by the other party prior to its disclosure by one party;

3. becomes available to a party on a non-confidential basis from a source other than the other party provided that such source is not bound by a confidentiality agreement with the other party;

4. is in the public domain;

5. is developed independently, as evidenced by appropriate documentation, by employees or agents or subcontractors of the receiving party who have not had access to the information;

6. is or becomes available to the receiving party by casual observance or analysis of products in the market; or

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7. is disclosed pursuant to judicial order, a lawful requirement of governmental agency; or by operation of law, but then only to the extent so ordered; in such case the receiving party will use its best efforts to timely advise the disclosing party prior to disclosure and allow the disclosing party an opportunity to obtain protections preventing the disclosure of the information.

(iv) Information shall remain the exclusive property of the disclosing party. No license whatsoever is implied from this Agreement except the license for non-commercial use as expressly set forth above.

(v) All Information disclosed by either Party to the other party shall be deemed to be confidential unless it is disclosed in written form and stamped by the disclosing party with the words "Non-Confidential Information" or the like at the time of disclosure.

(vi) Each party commits to immediately return all information received from the other party and to destroy or erase any and all copies it may have, either at any time upon simple request or upon termination or expiration of the business relationship between the parties.

(vii) The confidentiality and non-use obligations contained in this Agreement shall survive for *** from the date information is disclosed under this Agreement.

6. TERM AND TERMINATION.

(a) Term. Unless terminated early as described in this Section 6(b), the contract shall terminate on ***
***
***
***

(b) Early Termination. This Agreement may be terminated at any time upon the occurrence of any of the following events:

(i) Default. *** days following written notice by the performing party to the other party in the event that the other party breaches any material provision of this Agreement and has not cured such breach within such ***
*** notice period.

(ii) Insolvency. Immediately upon written notice by either party to the other party upon (i) the insolvency of the other party, or the appointment of a receiver by the other party, or for all or any substantial part of its properties, provided that such receiver is not discharged within *** days of his appointment; (ii) the adjudication of the other party as a bankrupt; (iii) the admission by the other party in writing of its inability to pay its debts as they become due; (iv) the execution by the other party of an assignment for the benefit of its creditors, or (v) the filing by the other party of a petition to be adjudged a bankrupt, or a petition or answer admitting the material allegations of a petition

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filed against the other party in any bankruptcy proceeding, or the act of the other. party in instituting or voluntarily being or becoming a party to any other judicial proceeding intended to effect a discharge of the debts of the other party, in whole or in part (an "Insolvency Event").

(iii) Acquisition. In the event that *** is acquired by or merged into another entity or that more than fifty percent of its voting stock is acquired through one or a series of transactions, then *** must give notice to Digirad of the completion of such event. If *** is acquired by or merged into an entity with whom Digirad in good faith determine *** *** , Digirad shall have the right to terminate this Agreement at anytime during the *** period immediately following its receipt of such notice. In the event Digirad terminates this agreement, pursuant to the preceding sentence, Digirad shall retain exclusive rights to the technology used in the Products and all necessary information, data, know how, procedures, schematics, and specifications needed to produce the Products until *** ,
unless the Agreement is earlier terminated by *** pursuant to section 6(b) (i) or (ii). At the end of the term, the right to the technology used in the Product and required information become non-exclusive.

(c) Survival. Termination under this Agreement shall not relieve any party of its obligations or liability for breaches of this Agreement incurred prior to or in connection with termination.

7. INDEMNIFICATION

(a) Indemnification by *** . *** will indemnify and hold *** harmless against any and all liability, damage, loss, cost or expense (including reasonable attorney fees) (collectively, "Liabilities") resulting from any third party claims made or suits brought against *** (excluding incidental or consequential damages suffered or incurred by *** directly as opposed to incidental or consequential damages suffered or incurred by third parties who are, in turn, seeking the same from *** , which shall be covered by the indemnity set forth, herein) which arise from *** breach of its obligations hereunder, or
*** gross negligence or willful misconduct, except to the extent caused by
*** gross negligence, willful misconduct or breach of *** obligations hereunder.

(b) Indemnification by *** . *** will indemnify and hold *** harmless against any and all liability, damage, loss, cost or expense (including reasonable attorney fees) (collectively, "Liabilities") resulting from any third party claims made or suits brought against *** (excluding incidental or consequential damages suffered or incurred by *** directly as opposed to incidental or consequential damages suffered or incurred by third parties who are, in turn, seeking the same from *** , which shall be covered by the indemnity set forth, herein) which arise from *** breach of its obligations hereunder, or *** gross negligence or willful misconduct, except to the extent caused by

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*** gross negligence, willful misconduct or breach of *** obligations hereunder.

(c) Costs of Indemnification. If *** expects to seek indemnification from *** under Sections 6(a) or 6(b) *** shall promptly give notice to *** *** of any such claim or suit threatened, made or filed against *** which forms the basis for such claim of indemnification and shall cooperate fully with *** in the defense of all such claims or suits. No settlement or compromise shall be binding on *** hereto without *** prior written consent.

8. GENERAL PROVISIONS

(a) Notices. Any notices permitted or required by this Agreement shall be sent by telex or telecopy or by certified or registered mail and shall be effective when received if sent and addressed as follows or to such other address as, may be designated by a party in writing:

If to *** :

***
***
***

Attention: ***
Fax Number: ***

If to Digirad:

Digirad, Inc.
9350 Trade Place
San Diego, CA 92126

Attention: Scott Huennekens
Fax Number: (619) 549-7714

with a copy to:

Brobeck, Phleger & Harrison, LLP
550 West C Street, Suite 1300
San Diego, CA 92101-3532

Attention: Martin Nichols, Esq.
Fax Number: (619) 234-3848

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(b) Entire Agreement; Amendment; Consents The parties hereto acknowledge that this Agreement sets forth the entire agreement and understanding of the parties and supersedes all prior written or oral agreements or understandings with respect to the subject matter hereof. No modification or amendment of any of the terms of this Agreement, or any amendments thereto, shall be deemed to be valid unless in writing and signed by all the parties hereto. No course of dealing or usage of trade shall be used to modify the terms and conditions herein.

(c) Waiver. No waiver by either party of any default, right or remedy shall be effective unless in writing, nor shall any such waiver operate as a waiver of any other or the same default, right or remedy on a future occasion.

(d) Assignment. This Agreement shall be binding upon and inure to the benefit of the successors or permitted assigns of each of the parties and may not be assigned or transferred by *** without the prior written consent of Digirad, which consent will not be unreasonably withheld.

(e) No Third-Party Rights. No provision of this Agreement shall be deemed or construed in any way to result in the creation of any rights or obligations in any other individual, group, entity or organization not a party to this Agreement.

(g) Further Assurance. Each party hereby agrees to duly execute and deliver, or cause to be duly executed and delivered, such further instruments and do and cause to be done such further acts and things, including, without limitation, the filing of such additional assignments, agreements, documents and instruments, that may be necessary or as the other party hereto may at any time and from time to time reasonably request in connection with this Agreement.

(i) Force Majeure Events. Failure of any party to perform its obligations under this Agreement shall not subject such party to any liability to the other if such failure is caused by acts such as but not limited to acts of God, fire, explosion, flood, drought, war, riot, sabotage, embargo, strikes, compliance with any order or regulation of any government entity acting with color of right promulgated after the dates hereof. Upon occurrence of an event of force majeure, the party affected shall promptly notify the other in writing, setting forth the details of the occurrence, and making every attempt to resume the performance of its obligations as soon as practicable after the force majeure event ceases.

(j) Attorneys' Fees. Each party shall bear its own attorney's fees for the negotiation, execution and performance of this Agreement. In the event it becomes necessary for either party (or any of its affiliates) to institute any action at law or in equity (or in arbitration pursuant to the

requirements of this Agreement) against the other party to enforce its rights hereunder, the prevailing party shall be entitled to recover from the non-prevailing party reasonable attorneys' fees, court costs and expenses relating to such action.

*** Portions of this page have been omitted pursuant to a request for Confidential Treatment and filed separately with the commission.

(k) Arbitration. The parties hereby agree that the proper venue and forum for all disputes under this Agreement is binding arbitration before a neutral arbitrator mutually acceptable to both parties and such arbitration to be conducted in San Diego California pursuant to the rules of the American Arbitration Association.

(1) Governing Law. The validity, interpretation and effect of this Agreement shall be governed by and construed under the laws of the State of California without regard to principles of conflict of laws.

(m) Severability. If any term or provision of this Agreement shall violate any applicable statute, ordinance or rule of law in any jurisdiction in which it is used or otherwise be unenforceable, such provision shall be ineffective to the extent of such violation without invalidating any other provision hereof.

(n) Headings, Exhibits. The headings used in this Agreement are for convenience only and are not a part of this Agreement. All exhibits references herein are hereby made a part of this Agreement.

(o) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same original.

(p) Relationship of Parties. The relationship of the parties under this Agreement is that of independent contractors. Nothing contained in this Agreement is intended or is to be construed so as to constitute the parties as partners, joint venturers, or any party as an agent or employee of the other. No party has any express or implied right under this Agreement to assume or create any obligation on behalf of or in the name of any other party, or to bind any other party to any contracts, agreement or undertaking with any third party, and no conduct of the parties shall be deemed to infer such right.

(q) Survival: Section 3, Section 5, Section 7 and Section 8 shall survive the termination of this agreement.

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IN WITNESS WHEREOF, the parties hereto have each caused this Agreement to be executed by their duly-authorized representatives effective as of the date and year set forth above.

*******	**DIGIRAD CORPORATION**
By: ***	By: */s/ Scott Hennekens*
***	Scott Hennekens
Its ***	Its President & CEO

[SIGNATURE PAGE TO DEVELOPMENT AND SUPPLY AGREEMENT]

*** Portions of this page have been omitted pursuant to a request for Confidential Treatment and filed separately with the commission.

EXHIBIT A

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*** Portions of this page have been omitted pursuant to a request for Confidential Treatment and filed separately with the commission.

EXHIBIT B

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*** Portions of this page have been omitted pursuant to a request for Confidential Treatment and filed separately with the commission.

EXHIBIT 10.6

*** CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT (INDICATED BY ASTERISKS) HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT UNDER 17 C.F.R. SECTIONS 200.80(B)(4), 200.83 AND 230.406.

SILICON VALLEY BANK

LOAN AND SECURITY AGREEMENT

Borrower: **Digirad Corporation**
Address: **9350 Trade Place**
San Diego, CA 92126

Date: **July 31, 2001**

THIS LOAN AND SECURITY AGREEMENT is entered into on the above date between SILICON VALLEY BANK, COMMERCIAL FINANCE DIVISION ("Silicon"), whose address is 3003 Tasman Drive, Santa Clara, California 95054 and the borrower(s) named above (jointly and severally, the "Borrower"), whose chief executive office is located at the above address ("Borrower's Address"). The Schedule to this Agreement (the "Schedule") shall for all purposes be deemed to be a part of this Agreement, and the same is an integral part of this Agreement. (Definitions of certain terms used in this Agreement are set forth in Section 8 below.)

1. *LOANS.*

1.1 Loans. Silicon will make loans to Borrower (the "Loans"), in amounts determined by Silicon in its good-faith business judgment, sale discretion, up to the amounts (the "Credit Limit") shown on the Schedule, provided no Default or Event of Default has occurred and is continuing, and subject to deduction of any Reserves for accrued interest and such other Reserves as Silicon deems proper from time to time in its good faith business judgment.

1.2 Interest. All Loans and all other monetary Obligations shall bear interest at the rate shown on the Schedule, except where expressly set forth to the contrary in this Agreement. Interest shall be payable monthly, on the last day of the month. Interest may, in Silicon's discretion, be charged to Borrower's loan account, and the same shall thereafter bear interest at the same rate as the other Loans. Silicon may, in its discretion, charge interest to Borrower's Deposit Accounts maintained with Silicon. Regardless of the amount of Obligations that may be outstanding from time to time, Borrower shall pay Silicon minimum monthly interest during the term of this Agreement in the amount set forth on the Schedule (the "Minimum Monthly Interest").

1.3 Overadvances. If at any time or for any reason the total of all outstanding Loans and all other Obligations exceeds the Credit Limit (an "Overadvance"), Borrower shall immediately pay the amount of the excess to Silicon, without notice or demand. Without limiting Borrower's obligation to repay to Silicon on demand the amount of any Overadvance, Borrower agrees to pay Silicon interest on the outstanding amount of any Overadvance, on demand, at a rate equal to the interest rate which would otherwise be applicable to the Overadvance, plus an additional 2% per annum.

1.4 Fees. Borrower shall pay Silicon the fee(s) shown on the Schedule, which are in addition to all interest and other sums payable to Silicon and are not refundable.

1.5 Letters of Credit. [Not Applicable]

2. *SECURITY INTEREST.*

2.1 Security Interest. To secure the payment and performance of all of the Obligations when due, Borrower hereby grants to Silicon a security interest in all of Borrower's interest in the following, whether now owned or hereafter acquired, and wherever located: All Inventory, Equipment, Receivables, and General Intangibles, including, without limitation, all of Borrower's Deposit Accounts, and all money, and all property now or at any time in the future in Silicon's possession (including claims and credit balances), and all proceeds (including proceeds of any insurance policies, proceeds of proceeds and claims against third parties), all products and all books and records related to any of the foregoing (all of the foregoing, together with all other property in which Silicon may now or in the future be granted a lien or security interest, is referred to herein, collectively, as the "Collateral"). Notwithstanding the foregoing, provided that (a) no Default or Event of Default has occurred and is continuing, (b) Borrower completes an initial public offering of equity securities of Borrower that generates net proceeds of at least $535,000,000 (the "IPO"), (c) immediately following the conclusion of the IPO Borrower has minimum cash (or cash equivalents acceptable to Silicon) liquidity maintained at Silicon of not less than $5,000,000 and (d) Borrower executes and delivers to Silicon, on Silicon's standard form, a Negative Pledge Agreement regarding the Borrower's Intellectual Property, Silicon agrees to release its liens on and security interests in all of Borrower's Intellectual Property. Also notwithstanding the foregoing, the term "Collateral" does not include any license agreements or contract rights (under which Borrower is the licensee, lessee or other similarly situated party) to the extent (i) the granting of a security interest in it would be contrary to applicable law, or (ii) that such rights are nonassignable by their terms (but only to the extent such prohibition is enforceable under applicable law, including, without limitation, Section 9318(4) of the California Uniform Commercial Code) without the consent of the licensor or other party (but only to the extent such consent has not been obtained); nevertheless, the foregoing grant of security interest shall extend to, and the term "Collateral" shall include, any and all proceeds of such license agreements or contract rights to the extent that the assignment or encumbering of such proceeds is not so restricted (including, without limitation, the proceeds of such license agreements or contract rights for which any required consent has been obtained).

3. *REPRESENTATIONS, WARRANTIES AND COVENANTS OF BORROWER.*

In order to induce Silicon to enter into this Agreement and to make Loans, Borrower represents and warrants to Silicon as follows, and Borrower covenants that the following representations will continue to be true, and that Borrower will at all times comply with all of the following covenants:

3.1 Corporate Existence and Authority. Borrower, if a corporation, is and will continue to be, duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation. Borrower is and will continue to be qualified and licensed to do business in all jurisdictions in which any failure to do so would have a material adverse effect on

Borrower. The execution, delivery and performance by Borrower of this Agreement, and all other documents contemplated hereby (i) have been duly and validly authorized, (ii) are enforceable against Borrower in accordance with their terms (except as enforcement may be limited by equitable principles and by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to creditors' rights generally), and (iii) do not violate Borrower's articles or certificate of incorporation, or Borrower's by-laws, or any law or any material agreement or instrument which is binding upon Borrower or its property, and (iv) do not constitute grounds for acceleration of any material indebtedness or obligation under any material agreement or instrument which is binding upon Borrower or its property.

3.2 Name; Trade Names and Styles. The name of Borrower set forth in the heading to this Agreement is its correct name. Listed on the Schedule are all prior names of Borrower and all of Borrower's present and prior trade names. Borrower shall give Silicon 30 days' prior written notice before changing its name or doing business under any other name. Borrower has complied, and will in the future comply, with all laws relating to the conduct of business under a fictitious business name.

3.3 Place of Business; Location of Collateral. The address set forth in the heading to this Agreement is Borrower's chief executive office. In addition, Borrower has places of business and Collateral is located only at the locations set forth on the Schedule. Borrower will give Silicon at least 30 days prior written notice before opening any additional place of business, changing its chief executive office, or moving any of the Collateral to a location other than Borrower's Address or one of the locations set forth on the Schedule. Notwithstanding the foregoing, Borrower represents and warrants that all of Borrower's locations outside of California are sales offices only with little or no assets. Additionally, during the term of this Agreement, Borrower shall not transfer any assets to any subsidiary.

3.4 Title to Collateral; Permitted Liens. Borrower is now, and will at all times in the future be, the sole owner of all the Collateral, except for items of Equipment which are leased by Borrower. The Collateral now is and will remain free and clear of any and all liens, charges, security interests, encumbrances and adverse claims, except for Permitted Liens. Silicon now has, and will continue to have, a first-priority perfected and enforceable security interest in all of the Collateral, subject only to the Permitted Liens, and Borrower will at all times defend Silicon and the Collateral against all claims of others. None of the Collateral now is or will be affixed to any real property in such a manner, or with such intent, as to become a fixture. Borrower is not and will not become a lessee under any real property lease pursuant to which the lessor may obtain any rights in any of the Collateral and no such lease now prohibits, restrains, impairs or will prohibit, restrain or impair Borrower's right to remove any Collateral from the leased premises. Whenever any Collateral is located upon premises in which any third party has an interest (whether as owner, mortgagee, beneficiary under a deed of trust, lien or otherwise), Borrower shall, whenever requested by Silicon, use its best efforts to cause such third party to execute and deliver to Silicon, in form acceptable to Silicon, such waivers and subordinations as Silicon shall specify, so as to ensure that Silicon's rights in the Collateral are, and will continue to be, superior to the rights of any such third party. Borrower will keep in full force and effect, and will comply with all the terms of, any lease of real property where any of the Collateral now or in the future may be located.

3.5 Maintenance of Collateral. Borrower will maintain the Collateral in good working condition, and Borrower will not use the Collateral for any unlawful purpose. Borrower will immediately advise Silicon in writing of any material loss or damage to the Collateral.

3.6 Books and Records. Borrower has maintained and will maintain at Borrower's Address complete and accurate books and records, comprising an accounting system in accordance with generally accepted accounting principles.

3.7 Financial Condition, Statements and Reports. All financial statements now or in the future delivered to Silicon have been, and will be, prepared in conformity with generally accepted accounting principles and now and in the future will completely and accurately reflect the financial condition of Borrower, at the times and for the periods therein stated. Between the last date covered by any such statement provided to Silicon and the date hereof, there has been no material adverse change in the financial condition or business of Borrower. Borrower is now and will continue to be solvent.

3.8 Tax Returns and Payments; Pension Contributions. Borrower has timely filed, and will timely file, all tax returns and reports required by foreign, federal, state and local law, and Borrower has timely paid, and will timely pay, all foreign, federal, state and local taxes, assessments, deposits and contributions now or in the future owed by Borrower. Borrower may, however, defer payment of any contested taxes, provided that Borrower (i) in good faith contests Borrower's obligation to pay the taxes by appropriate proceedings promptly and diligently instituted and conducted, (ii) notifies Silicon in writing of the commencement of, and any material development in, the proceedings, and (iii) posts bonds or takes any other steps required to keep the contested taxes from becoming a lien upon any of the Collateral. Borrower is unaware of any claims or adjustments proposed for any of Borrower's prior tax years which could result in additional taxes becoming due and payable by Borrower. Borrower has paid, and shall continue to pay all amounts necessary to fund all present and future pension, profit sharing and deferred compensation plans in accordance with their terms, and Borrower has not and will not withdraw from participation in, permit partial or complete termination of, or permit the occurrence of any other event with respect to, any such plan which could result in any liability of Borrower, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other governmental agency. Borrower shall, at all times, utilize the services of an outside payroll service providing for the automatic deposit of all payroll taxes payable by Borrower.

3.9 Compliance with Law. Borrower has complied, and will comply, in all material respects, with all provisions of all foreign, federal, state and local laws and regulations relating to Borrower, including, but not limited to, those relating to Borrower's ownership of real or personal property, the conduct and licensing of Borrower's business, and all environmental matters.

3.10 Litigation. Except as disclosed in the Schedule, there is no claim, suit, litigation, proceeding or investigation pending or (to best of Borrower's knowledge) threatened by or against or affecting Borrower in any court or, before any governmental agency (or any basis therefor known to Borrower) which may result, either separately or in the aggregate, in any material adverse change in the financial condition or business of Borrower, or in any material impairment in the ability of Borrower to carry on its business in substantially the same manner as

it is now being conducted. Borrower will promptly inform Silicon in writing of any claim, proceeding, litigation or investigation in the future threatened or instituted by or against Borrower involving any single claim of $50,000 or more, or involving $100,000 or more in the aggregate.

3.11 Use of Proceeds. All proceeds of all Loans shall be used solely for lawful business purposes. Borrower is not purchasing or carrying any "margin stock" (as defined in Regulation U of the Board of Governors of the Federal Reserve System) and no part of the proceeds of any Loan will. be used to purchase or carry any "margin stock" or to extend credit to others for the purpose of purchasing or carrying any "margin stock."

4. *RECEIVABLES.*

4.1 Representations Relating to Receivables. Borrower represents and warrants to Silicon as follows: Each Receivable with respect to which Loans are requested by Borrower shall, on the date each Loan is requested and made, (i) represent an undisputed bona fide existing unconditional obligation of the Account Debtor created by the sale, delivery, and acceptance of goods or the rendition of services in the ordinary course of Borrower's business, and (ii) meet the Minimum Eligibility Requirements set forth in Section 8 below.

4.2 Representations Relating to Documents and Legal Compliance. Borrower represents and warrants to Silicon as follows: All statements made and all unpaid balances appearing in all invoices, instruments and other documents evidencing the Receivables are and shall be true and correct and all such invoices, instruments and other documents and all of Borrower's books and records are and shall be genuine and in all respects what they purport to be, and all signatories and endorsers have the capacity to contract. All sales and other transactions underlying or giving rise to each Receivable shall fully comply with all applicable laws and governmental rules and regulations. All signatures and endorsements on all documents, instruments, and agreements relating to all Receivables are and shall be genuine, and all such documents, instruments and agreements are and shall be legally enforceable in accordance with their terms.

4.3 Schedules and Documents relating to Receivables. Borrower shall deliver to Silicon transaction reports and loan requests, schedules and assignments of all Receivables, and schedules of collections, all on Silicon's standard forms; provided, however, that Borrower's failure to execute and deliver the same shall not affect or limit Silicon's security interest and other rights in all of Borrower's Receivables, nor shall Silicon's failure to advance or lend against a specific Receivable affect or limit Silicon's security interest and other rights therein. Loan requests received after 12:00 Noon will not be considered by Silicon until the next Business Day. Together with each such schedule and assignment, or later if requested by Silicon, Borrower shall furnish Silicon with copies (or, at Silicon's request, originals) of all contracts, orders, invoices, and other similar documents, and all original shipping instructions, delivery receipts, bills of lading, and other evidence of delivery, for any goods the sale or disposition of which gave rise to such Receivables, and Borrower warrants the genuineness of all of the foregoing. Borrower shall also furnish to Silicon an aged accounts receivable trial balance in such form and at such intervals as Silicon shall request. In addition, Borrower shall deliver to Silicon the originals of all instruments, chattel paper, security agreements, guarantees and other

documents and property evidencing or securing any Receivables, immediately upon receipt thereof and in the same form as received, with all necessary indorsements, all of which shall be with recourse. Borrower shall also provide Silicon with copies of all credit memos within two days after the date issued.

4.4 Collection of Receivables. Borrower shall have the right to collect all Receivables, unless and until a Default or an Event of Default has occurred. Borrower shall hold all payments on, and proceeds of, Receivables in trust for Silicon, and Borrower shall immediately deliver all such payments and proceeds to Silicon in their original form, duly endorsed in blank, to be applied to the Obligations in such order as Silicon shall determine. Silicon may, in its discretion, require that all proceeds of Collateral be deposited by Borrower into a lockbox account, or such other "blocked account" as Silicon may specify, pursuant to a blocked account agreement in such form as Silicon may specify. Silicon or its designee may, at any time, notify Account Debtors that the Receivables have been assigned to Silicon.

4.5 Remittance of Proceeds. All proceeds arising from the disposition of any Collateral shall be delivered, in kind, by Borrower to Silicon in the original form in which received by Borrower not later than the following Business Day after receipt by Borrower, to be applied to the Obligations in such order as Silicon shall determine; provided that, if no Default or Event of Default has occurred, Borrower shall not be obligated to remit to Silicon the proceeds of the sale of worn out or obsolete equipment disposed of by Borrower in good faith in an arm's length transaction for an aggregate purchase price of $25,000 or less (for all such transactions in any fiscal year). Borrower agrees that it will not commingle proceeds of Collateral with any of Borrower's other funds or property, but will hold such proceeds separate and apart from such other funds and property and in an express trust for Silicon. Nothing in this Section limits the restrictions on disposition of Collateral set forth elsewhere in this Agreement.

4.6 Disputes. Borrower shall notify Silicon promptly of all disputes or claims relating to Receivables. Borrower shall not forgive (completely or partially), compromise or settle any Receivable for less than payment in full, or agree to do any of the foregoing, except that Borrower may do so, provided that: (i) Borrower does so in good faith, in a commercially reasonable manner, in the ordinary course of business, and in arm's length transactions, which are reported to Silicon on the regular reports provided to Silicon; (ii) no Default or Event of Default has occurred and is continuing; and (iii) taking into account all such discounts settlements and forgiveness, the total outstanding Loans will not exceed the Credit Limit. Silicon may, at any time after the occurrence of an Event of Default, settle or adjust disputes or claims directly with Account Debtors for amounts and upon terms which Silicon considers advisable in its reasonable credit judgment and, in all cases, Silicon shall credit Borrower's Loan account with only the net amounts received by Silicon in payment of any Receivables.

4.7 Returns. Provided no Event of Default has occurred and is continuing, if any Account Debtor returns any Inventory to Borrower in the ordinary course of its business, Borrower shall promptly determine the reason for such return and promptly issue a credit memorandum to the Account Debtor in the appropriate amount (sending a copy to Silicon). In the event any attempted return occurs after the occurrence of any Event of Default, Borrower shall (i) hold the returned Inventory in trust for Silicon, (ii) segregate all returned Inventory from all of Borrower's other property, (iii) conspicuously label the returned Inventory as Silicon's

property, and (iv) immediately notify Silicon of the return of any Inventory, specifying the reason for such return, the location and condition of the returned Inventory, and on Silicon's request deliver such returned Inventory to Silicon.

4.8 Verification. Silicon may, from time to time, verify directly with the respective Account Debtors the validity, amount and other matters relating to the Receivables, by means of mail, telephone or otherwise, either in the name of Borrower or Silicon or such other name as Silicon may choose.

4.9 No Liability. Silicon shall not under any circumstances be responsible or liable for any shortage or discrepancy in, damage to, or loss or destruction of, any goods, the sale or other disposition of which gives rise to a Receivable, or for any error, act, omission, or delay of any kind occurring in the settlement, failure to settle, collection or failure to collect any Receivable, or for settling any Receivable in good faith for less than the full amount thereof, nor shall Silicon be deemed to be responsible for any of Borrower's obligations under any contract or agreement giving rise to a Receivable. Nothing herein shall, however, relieve Silicon from liability for its own gross negligence or willful misconduct.

5. *ADDITIONAL DUTIES OF BORROWER.*

5.1 Financial and Other Covenants. Borrower shall at all times comply with the financial and other covenants set forth in the Schedule.

5.2 Insurance. Borrower shall, at all times insure all of the tangible personal property Collateral and carry such other business insurance, with insurers reasonably acceptable to Silicon, in such form and amounts as Silicon may reasonably require, and Borrower shall provide evidence of such insurance to Silicon, so that Silicon is satisfied that such insurance is, at all times, in full force and effect. All such insurance policies shall name Silicon as an additional loss payee, and shall contain a lenders loss payee endorsement in form reasonably acceptable to Silicon. Upon receipt of the proceeds of any such insurance, Silicon shall apply such proceeds in reduction of the Obligations as Silicon shall determine in its sole discretion, except that, provided no Default or Event of Default has occurred and is continuing, Silicon shall release to Borrower insurance proceeds with respect to Equipment totaling less than $100,000, which shall be utilized by Borrower for the replacement of the Equipment with respect to which the insurance proceeds were paid. Silicon may require reasonable assurance that the insurance proceeds so released will be so used. If Borrower fails to provide or pay for any insurance, Silicon may, but is not obligated to, obtain the same at Borrower's expense. Borrower shall promptly deliver to Silicon copies of all reports made to insurance companies.

5.3 Reports. Borrower, at its expense, shall provide Silicon with the written reports set forth in the Schedule, and such other written reports with respect to Borrower (including budgets, sales projections, operating plans and other financial documentation), as Silicon shall from time to time reasonably specify.

5.4 Access to Collateral, Books and Records. At reasonable times, and on one Business Day's notice, Silicon, or its agents, shall have the right to inspect the Collateral, and the right to audit and copy Borrower's books and records. Silicon shall take reasonable steps to keep

confidential all information obtained in any such inspection or audit, but Silicon shall have the right to disclose any such information to its auditors, regulatory agencies, and attorneys, and pursuant to any subpoena or other legal process. The foregoing inspections and audits shall be at Borrower's expense and the charge therefor shall be $650 per person per day (or such higher amount as shall represent Silicon's then current standard charge for the same), plus reasonable out of pocket expenses. Borrower will not enter into any agreement with any accounting firm, service bureau or third party to store Borrower's books or records at any location other than Borrower's Address, without first obtaining Silicon's written consent, which may be conditioned upon such accounting firm, service bureau or other third party agreeing to give Silicon the same rights with respect to access to books and records and related rights as Silicon has under this Loan Agreement.

5.5 Negative Covenants. Except as may be permitted in the Schedule, Borrower shall not, without Silicon's prior written consent, do any of the following: (i) merge or consolidate with another corporation or entity; (ii) acquire any assets, except in the ordinary course of business; (iii) enter into any other transaction outside the ordinary course of business(except for a public offering of Borrower's equity securities); (iv) sell or transfer any Collateral, except for the sale of finished Inventory in the ordinary course of Borrower's business, and except for the sale of obsolete or unneeded Equipment in the ordinary course of business; (v) store any Inventory or other Collateral with any warehouseman or other third party; (vi) sell any Inventory on a sale-or-return, guaranteed sale, consignment, or other contingent basis; (vii) make any loans of any money or other assets; (viii) incur any debts, outside the ordinary course of business, which would have a material, adverse effect on Borrower or on the prospect of repayment of the Obligations; (ix) guarantee or otherwise become liable with respect to the obligations of another party or entity; (x) pay or declare any dividends on Borrower's stock (except for dividends payable solely in stock of Borrower); (xi) redeem, retire, purchase or otherwise acquire, directly or indirectly, any of Borrower's stock; (xii) make any change in Borrower's capital structure which would have a material adverse effect on Borrower or on the prospect of repayment of the Obligations; or (xiii) pay total compensation, including salaries, fees, bonuses, commissions, and all other payments, whether directly or indirectly, in money or otherwise, to Borrower's executives, officers and directors (or any relative thereof) in an amount in excess of the amount set forth on the Schedule; or (xiv) dissolve or elect to dissolve. Transactions permitted by the foregoing provisions of this Section are only permitted if no Default or Event of Default would occur as a result of such transaction.

5.6 Litigation Cooperation. Should any third-party suit or proceeding be instituted by or against Silicon with respect to any Collateral or in any manner relating to Borrower, Borrower shall, without expense to Silicon, make available Borrower and its officers, employees and agents and Borrower's books and records, to the extent that Silicon may deem them reasonably necessary in order to prosecute or defend any such suit or proceeding.

5.7 Further Assurances. Borrower agrees, at its expense, on request by Silicon, to execute all documents and take all actions, as Silicon, may deem reasonably necessary or useful in order to perfect and maintain Silicon's perfected security interest in the Collateral, and in order to fully consummate the transactions contemplated by this Agreement.

6. *TERM.*

6.1 Maturity Date. This Agreement shall continue in effect until the maturity date set forth on the Schedule (the "Maturity Date"), subject to Section 6.3 below.

6.2 Early Termination. This Agreement may be terminated prior to the Maturity Date as follows: (i) by Borrower, effective three Business Days after written notice of termination is given to Silicon; or (ii) by Silicon at any time after the occurrence of an Event of Default, without notice, effective immediately. If this Agreement is terminated by Borrower or by Silicon under this Section 6.2, Borrower shall pay to Silicon a termination fee in an amount equal to$5,000 per month for the number of months remaining (including any partial months) until the Maturity Date, Credit Limit, provided that no termination fee shall be charged if the credit facility hereunder is replaced with a new facility from another division of Silicon Valley Bank. The termination fee shall be due and payable on the effective date of termination and thereafter shall bear interest at a rate equal to the highest rate applicable to any of the Obligations.

6.3 Payment of Obligations. On the Maturity Date or on any earlier effective date of termination, Borrower shall pay and perform in full all Obligations, whether evidenced by installment notes or otherwise, and whether or not all or any part of such Obligations are otherwise then due and payable. Without limiting the generality of the foregoing, if on the Maturity Date, or on any earlier effective date of termination, there are any outstanding Letters of Credit issued by Silicon or issued by another institution based upon an application, guarantee, indemnity or similar agreement on the part of Silicon, then on such date Borrower shall provide to Silicon cash collateral in an amount equal to the face amount of all such Letters of Credit plus all interest, fees and cost due or to become due in connection therewith, to secure all of the Obligations relating to said Letters of Credit, pursuant to Silicon's then standard form cash pledge agreement. Notwithstanding any termination of this Agreement, all of Silicon's security interests in all of the Collateral and all of the terms and provisions of this Agreement shall continue in full force and effect until all Obligations have been paid and performed in full; provided that, without limiting the fact that Loans are subject to the discretion of Silicon, Silicon may, in its sole discretion, refuse to make any further Loans after termination. No termination shall in any way affect or impair any right or remedy of Silicon, nor shall any such termination relieve Borrower of any Obligation to Silicon, until all of the Obligations have been paid and performed in full. Upon payment and performance in full of all the Obligations and termination of this, Agreement, Silicon shall promptly deliver to Borrower termination statements, requests for reconveyances and such other documents as may be required to fully terminate Silicon's security interests.

7. *EVENTS OF DEFAULT AND REMEDIES.*

7.1 Events of Default. The occurrence of any of the following events shall constitute an "Event of Default" under this Agreement, and Borrower shall give Silicon immediate written notice thereof: (a) Any warranty, representation, statement, report or certificate made or delivered to Silicon by Borrower or any of Borrower's officers, employees or agents, now or in the future, shall be untrue or misleading in a material respect when made; or (b) Borrower shall fail to pay when due any Loan or any interest thereon or any other monetary Obligation; or (c) the total Loans and other Obligations outstanding at any time shall exceed the Credit Limit; or (d) Borrower shall fail to comply with any of the financial covenants set forth in the Schedule or shall fail to perform any other nonmonetary Obligation which by its nature cannot be cured; or

(e) Borrower shall fail to perform any other nonmonetary Obligation, which failure is not cured within10 Business Days after the date due; or (f) any levy, assessment, attachment, seizure, lien or encumbrance (other than a Permitted Lien) is made on all or any part of the Collateral which is not cured within 10 days after the occurrence of the same; or (g) any default or event of default occurs under any obligation secured by a Permitted Lien, which is not cured within any applicable cure period or waived in writing by the holder of the Permitted Lien; or (h) Borrower breaches any material contract or obligation, which breach has or may reasonably be expected to have a material adverse effect on Borrower's business or financial condition; or (i) Dissolution, termination of existence, insolvency or business failure of Borrower; or appointment of a receiver, trustee or custodian, for all or any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceeding by Borrower under any reorganization, bankruptcy, insolvency, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, now or in the future in effect; or (j) the commencement of any proceeding against Borrower or any guarantor of any of the Obligations under any reorganization, bankruptcy, insolvency, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, now or in the future in effect, which is not cured by the dismissal thereof within 30 days after the date commenced; or (k) revocation or termination of, or limitation or denial of liability upon, any guaranty of the Obligations or any attempt to do any of the foregoing, or commencement of proceedings by any guarantor of any of the Obligations under any bankruptcy or insolvency law; or (1) revocation or termination of, or limitation or denial of liability upon, any pledge of any certificate of deposit, securities or other property or asset of any kind pledged by any third party to secure any or all of the Obligations, or any attempt to do any of the foregoing, or commencement of proceedings by or against any such third party under any bankruptcy or insolvency law; or (m) Borrower makes any payment on account of any indebtedness or obligation which has been subordinated to the Obligations other than as permitted in the applicable subordination agreement, or if any Person who has subordinated such indebtedness or obligations terminates or in any way limits his subordination agreement; or (n) there shall be a change in the record or beneficial ownership of an aggregate of more than 20% of the outstanding shares of stock of Borrower, in one or more transactions (other than in connection with the IPO, as defined above), compared to the ownership of outstanding shares of stock of Borrower in effect on the date hereof, without the prior written consent of Silicon; or (o) Borrower shall generally not pay its debts as they become due, or Borrower shall conceal, remove or transfer any part of its property, with intent to hinder, delay or defraud its creditors, or make or suffer any transfer of any of its property which may be fraudulent under any bankruptcy, fraudulent conveyance or similar law; or (p) there shall be a material adverse change in Borrower's business or financial condition; or (q) Silicon, acting in good faith and in a commercially reasonable manner, deems itself insecure because of the occurrence of an event prior to the effective date hereof of which Silicon had no knowledge on the effective date or because of the occurrence of an event on or subsequent to the effective date. Silicon may cease making any Loans hereunder during any of the above cure periods, and thereafter if an Event of Default has occurred.

7.2 Remedies. Upon the occurrence of any Event of Default, and at any time thereafter, Silicon, at its option, and without notice or demand of any kind (all of which are hereby expressly waived by Borrower), may do any one or more of the following: (a) Cease

making Loans or otherwise extending credit to Borrower under this Agreement or any other document or agreement; (b) Accelerate and declare all or any part of the Obligations to be immediately due, payable, and performable, notwithstanding any deferred or installment payments allowed by any instrument evidencing or relating to any Obligation; (c) Take possession of any or all of the Collateral wherever it may be found, and for that purpose Borrower hereby authorizes Silicon without judicial process to enter onto any of Borrower's premises without interference to search for, take possession of, keep, store, or remove any of the Collateral, and remain on the premises or cause a custodian to remain on the premises in exclusive control thereof, without charge for so

long as Silicon deems it reasonably necessary in order to complete the enforcement of its rights under this Agreement or any other agreement; provided, however, that should Silicon seek to take possession of any of the Collateral by Court process, Borrower hereby irrevocably waives: (i) any bond and any surety or security relating thereto required by any statute, court rule or otherwise as an incident to such possession; (ii) any demand for possession prior to the commencement of any suit or action to recover possession thereof; and (iii) any requirement that Silicon retain possession of, and not dispose of, any such Collateral until after trial or final judgment; (d) Require Borrower to assemble any or all of the Collateral and make it available to Silicon at places designated by Silicon which are reasonably convenient to Silicon and Borrower, and to remove the Collateral to such locations as Silicon may deem advisable; (e) Complete the processing, manufacturing or repair of any Collateral prior to a disposition thereof and, for such purpose and for the purpose of removal, Silicon shall have the right to use Borrower's premises, vehicles, hoists, lifts, cranes, equipment and all other property without charge; (f) Sell, lease or otherwise dispose of any of the Collateral, in its condition at the time Silicon obtains possession of it or after further manufacturing, processing or repair, at one or more public and/or private sales, in lots or in bulk, for cash, exchange or other property, or on credit, and to adjourn any such sale from time to time without notice other than oral announcement at the time scheduled for sale. Silicon shall have the right to conduct such disposition on Borrower's premises without charge, for such time or times as Silicon deems reasonable, or on Silicon's premises, or elsewhere and the Collateral need not be located at the place of disposition. Silicon may directly or through any affiliated company purchase or lease any Collateral at any such public disposition, and if permissible under applicable law, at any private disposition. Any sale or other disposition of Collateral shall not relieve Borrower of any liability Borrower may have if any Collateral is defective as to title or physical condition or otherwise at the time of sale; (g) Demand payment of, and collect any Receivables and General Intangibles comprising Collateral and, in connection therewith, Borrower irrevocably authorizes Silicon to endorse or sign Borrower's name on all collections, receipts, instruments and other documents, to take possession of and open mail addressed to Borrower and remove therefrom payments made with respect to any item of the Collateral or proceeds thereof, and, in Silicon's sole discretion, to grant extensions of time to pay, compromise claims and settle' Receivables and the like for less than face value; (h) Offset against any sums in any of Borrower's general, special or other Deposit Accounts with Silicon; and (i) Demand and receive possession of any of Borrower's federal and state income tax returns and the books and records utilized in the preparation thereof or referring thereto. All reasonable attorneys' fees, expenses, costs, liabilities and obligations incurred by Silicon with respect to the foregoing shall be added to and become part of the Obligations, shall be due on demand, and shall bear interest at a rate equal to the highest interest rate applicable to any of the Obligations. Without limiting any of Silicon's rights and remedies, from and after the occurrence of any Event of Default, the interest rate applicable

to the Obligations shall be increased by an additional four percent per annum

7.3 Standards for Determining Commercial Reasonableness. Borrower and Silicon agree that a sale or other disposition (collectively, "sale") of any Collateral which complies with the following standards will conclusively be deemed to be commercially reasonable: (i) Notice of the sale is given to Borrower at least ten (10) days prior to the sale, and, in the case of a public sale, notice of the sale is published at least ten (10) days before the sale in a newspaper of general circulation in the county where the sale is to be conducted; (ii) Notice of the sale describes the collateral in general, non-specific terms; (iii) The sale is conducted at a place designated by Silicon, with or without the Collateral being present; (iv) The sale commences at any time between 8:00 a.m. and 6:00 p.m.; (v) Payment of the purchase price in cash or by cashier's check or wire transfer is required; (vi) With respect to any sale of any of the Collateral, Silicon may (but is not obligated to) direct any prospective purchaser to ascertain directly from Borrower any and all information concerning the same. Silicon shall be free to employ other methods of noticing and selling the Collateral, in its discretion, if they are commercially reasonable.

7.4 Power of Attorney. Upon the occurrence of any Event of Default, without limiting Silicon's other rights and remedies, Borrower grants to Silicon an irrevocable power of attorney coupled with an interest, authorizing and permitting Silicon (acting through any of its employees, attorneys or agents) at any time, at its option, but without obligation, with or without notice to Borrower, and at Borrower's expense, to do any or all of the following, in Borrower's name or otherwise, but Silicon agrees to exercise the following powers in a commercially reasonable manner: (a) Execute on behalf of Borrower any documents that Silicon may, in its sole discretion, deem advisable in order to perfect and maintain Silicon's security interest in the Collateral, or in order to exercise a right of Borrower or Silicon, or in order to fully consummate all the transactions contemplated under this Agreement, and all other present and future agreements; (b) Execute on behalf of Borrower any document exercising, transferring or assigning any option to purchase, sell or otherwise dispose of or to lease (as lessor or lessee) any real or personal property which is part of Silicon's Collateral or in which Silicon has an interest; (c) Execute on behalf of Borrower, any invoices relating to any Receivable, any draft against any Account Debtor and any notice to any Account Debtor, any proof of claim in bankruptcy, any Notice of Lien, claim of mechanic's, materialman's or other lien, or assignment or satisfaction of mechanic's, materialman's or other lien; (d) Take control in any manner of any cash or non-cash items of payment or proceeds of Collateral; endorse the name of Borrower upon any Collateral or documents, evidence of payment or Collateral that may come into Silicon's possession; (e) Endorse all checks and other forms of remittances received by Silicon; (f) Pay, contest or settle any lien, charge, encumbrance, security interest and adverse claim in or to any of the Collateral, or any judgment based thereon, or otherwise take any action to terminate or discharge the same; (g) Grant extensions of time to pay, compromise claims and settle Receivables and General Intangibles for less than face value and execute all releases and other documents in connection therewith; (h) Pay any sums required on account of Borrower's taxes or to secure the release of any liens therefor, or both; (i) Settle and adjust, and give releases of, any insurance claim that relates to any of the Collateral and obtain payment therefor; (j) Instruct any third party having custody or control of any books or records belonging to, or relating to, Borrower to give Silicon the same rights of access and other rights with respect thereto as Silicon has under this Agreement; and (k) Take any action or pay any sum required of Borrower pursuant to this

Agreement and any other present or future agreements. Any and all reasonable sums paid and any and all reasonable costs, expenses, liabilities, obligations and attorneys' fees incurred by Silicon with respect to the foregoing shall be added to and become part of the Obligations, shall be payable on demand, and shall bear interest at a rate equal to the highest interest rate applicable to any of the Obligations. In no event shall Silicon's rights under the foregoing power of attorney or any of Silicon's other rights under this Agreement be deemed to indicate that Silicon is in control of the business, management or properties of Borrower.

7.5 Application of Proceeds. All proceeds realized as the result of any sale of the Collateral shall be applied by Silicon first to the reasonable costs, expenses, liabilities, obligations and attorneys' fees incurred by Silicon in the exercise of its rights under this Agreement, second to the interest due upon any of the Obligations, and third to the principal of the Obligations, in such order as Silicon shall determine in its sole discretion. Any surplus shall be paid to Borrower or other persons legally entitled thereto; Borrower shall remain liable to Silicon for any deficiency. If, Silicon, in its sole discretion, directly or indirectly enters into a deferred payment or other credit transaction with any purchaser at any sale of Collateral, Silicon shall have the option, exercisable at any time, in its sole discretion, of either reducing the Obligations by the principal amount of purchase price or deferring the reduction of the Obligations until the actual receipt by Silicon of the cash therefor.

7.6 Remedies Cumulative. In addition to the rights and remedies set forth in this Agreement, Silicon shall have all the other rights and remedies accorded a secured party under the California Uniform Commercial Code and under all other applicable laws, and under any other instrument or agreement now or in the future entered into between Silicon and Borrower, and all of such rights and remedies are cumulative and none is exclusive. Exercise or partial exercise by Silicon of one or more of its rights or remedies shall not be deemed an election, nor bar Silicon from subsequent exercise or partial exercise of any other rights or remedies. The failure or delay of Silicon to exercise any rights or remedies shall not operate as a waiver thereof, but all rights and remedies shall continue in full force and effect until all of the Obligations have been fully paid and performed.

8. *DEFINITIONS.* As used in this Agreement, the following terms have the following meanings:

"Account Debtor" means the obligor on a Receivable.

"Affiliate" means, with respect to any Person, a relative, partner, shareholder, director, officer, or employee of such Person, or any parent or subsidiary of such Person, or any Person controlling, controlled by or under common control with such Person.

"Business Day" means a day on which Silicon is open for business.

"Code" means the Uniform Commercial Code as adopted and in effect in the State of California from time to time.

"Collateral" has the meaning set forth in Section 2.1 above.

"Default" means any event which with notice or passage of time or both, would constitute an

Event of Default.

"Deposit Account" has the meaning set forth in Section 9105 of the Code.

"Eligible Inventory" means Inventory which Silicon, in its good-faith business judgment, deems eligible for borrowing, based on such considerations as Silicon may from time to time deem appropriate. Without limiting the fact that the determination of which Inventory is eligible for borrowing is a matter of Silicon's discretion, Inventory which does not meet the following requirements will not be deemed to be Eligible Inventory: Inventory which (i) consists of raw materials and finished goods, in good, new and salable condition which is not perishable, not obsolete or unmerchantable, and is not comprised of work in process, packaging materials or supplies; (ii) meets all applicable governmental standards; (iii) has been manufactured in compliance with the Fair Labor Standards Act; (iv) conforms in all respects to the warranties and representations set forth in this Agreement; (v) is at all times subject to Silicon's duly perfected, first priority security interest; and (vi) is situated at a one of the locations set forth on the Schedule.

"Eligible Receivables" means Receivables arising in the ordinary course of Borrower's business from the sale of goods or rendition of services, which Silicon, in its good-faith business judgment, shall deem eligible for borrowing, based on such considerations as Silicon may from time to time deem appropriate. Without limiting the fact that the determination of which Receivables are eligible for borrowing is a matter of Silicon's discretion, the following (the "Minimum Eligibility Requirements") are the minimum requirements for a Receivable to be an Eligible Receivable: (i) the Receivable must not be outstanding for more than 90 days from its invoice date, (ii) the Receivable must not represent progress billings, or be due under a fulfillment or requirements contract with the Account Debtor, (iii) the Receivable must not be subject to any contingencies (including Receivables arising from sales on consignment, guaranteed sale or other terms pursuant to which payment by the Account Debtor may be conditional), (iv) the Receivable must not be owing from an Account Debtor with whom Borrower has any dispute (whether or not relating to the particular Receivable), (v) the Receivable must not be owing from an Affiliate of Borrower, (vi) the Receivable must not be owing from an Account Debtor which is subject to any insolvency or bankruptcy proceeding, or whose financial condition is not acceptable to Silicon, or which, fails or goes out of a material portion of its business, (vii) the Receivable must not be owing from the United States or any department, agency or instrumentality thereof (unless there has been compliance, to Silicon's satisfaction, with the United States Assignment of Claims Act), (viii) the Receivable must not be owing from an Account Debtor located outside the United States or Canada (unless pre-approved by Silicon in its discretion in writing, or backed by a letter of credit satisfactory to Silicon, or FCIA insured satisfactory to Silicon), (ix) the Receivable must not be owing from an Account Debtor to whom Borrower is or may be liable for goods purchased from such Account Debtor or otherwise. Receivables owing from one Account Debtor will not be deemed Eligible Receivables to the extent they exceed 25% of the total Receivables outstanding. In addition, if more than 50% of the Receivables owing from an Account Debtor are outstanding more than 90 days from their invoice date (without regard to unapplied credits) or are otherwise not eligible Receivables, then all Receivables owing from that Account Debtor will be deemed ineligible for borrowing. Silicon may, from time to time, in its discretion, revise the Minimum Eligibility Requirements, upon written notice to Borrower.

"Equipment" means all of Borrower's present and hereafter acquired machinery, molds, machine tools, motors, furniture, equipment, furnishings, fixtures, trade fixtures, motor vehicles, tools, parts, dyes, jigs, goods and other tangible personal property (other than Inventory) of every kind and description used in Borrower's operations or owned by Borrower and any interest in any of the foregoing, and all attachments, accessories, accessions, replacements, substitutions, additions or improvements to any of the foregoing, wherever located.

"Event of Default" means any of the events set forth in Section 7.1 of this Agreement.

"General Intangibles" means all general intangibles of Borrower, whether now owned or hereafter created or acquired by Borrower, including, without limitation, all chooses in action, causes of action, corporate or other business records, Deposit Accounts, Intellectual Property, security and other deposits, rights in all litigation presently or hereafter pending for any cause or claim (whether in contract, tort or otherwise), and all judgments now or hereafter arising therefrom, all claims of Borrower against Silicon, rights to purchase or sell real or personal property, rights as a licensor or licensee of any kind, royalties, telephone numbers, proprietary information, purchase orders, and all insurance policies and claims (including without limitation life insurance, key man insurance, credit insurance, liability insurance, property insurance and other insurance), tax refunds and claims, computer programs, discs, tapes

and tape files, claims under guaranties, security interests or other security held by or granted to Borrower, all rights to indemnification and all other intangible property of every kind and nature (other than Receivables). "Intellectual Property" means all inventions, designs, drawings, blueprints, patents, patent applications, trademarks and the goodwill of the business symbolized thereby, names, trade names, trade secrets, goodwill, copyrights, registrations, licenses, franchises, customer lists, rights in all litigation relating thereto and the proceeds of the foregoing.

"Inventory" means all of Borrower's now owned and hereafter acquired goods, merchandise or other personal property, wherever located, to be furnished under any contract of service or held for sale or lease (including without limitation all raw materials, work in process, finished goods and goods in transit), and all materials and supplies of every kind, nature and description which are or might be used or consumed in Borrower's business or used in connection with the manufacture, packing, shipping, advertising, selling or finishing of such goods, merchandise or other personal property, and all warehouse receipts, documents of title and other documents representing any of the foregoing.

"Obligations" means all present and future Loans, advances, debts, liabilities, obligations, guaranties, covenants, duties and indebtedness at any time owing by Borrower to Silicon, whether evidenced by this Agreement or any note or other instrument or document, whether arising from an extension of credit, opening of a letter of credit, banker's acceptance, loan, guaranty, indemnification or otherwise, whether direct or indirect (including, without limitation, those acquired by assignment and any participation by Silicon in Borrower's debts owing to others), absolute or contingent, due or to become due, including, without limitation, all interest, charges, expenses, fees, attorney's fees, expert witness fees, audit fees, letter of credit fees, collateral monitoring fees, closing fees, facility fees, termination fees, minimum interest charges and any other sums chargeable to Borrower under this Agreement or under

any other present or future instrument or agreement between Borrower and Silicon.

"Permitted Liens" means the following: (i) purchase money security interests in specific items of Equipment; (ii) leases of specific items of Equipment; (iii) liens for taxes not yet payable; (iv) additional security interests and liens consented to in writing by Silicon, which consent shall not be unreasonably withheld; (v) security interests being terminated substantially concurrently with this Agreement; (vi) liens of materialmen, mechanics, warehousemen, carriers, or other similar liens arising in the ordinary course of business and securing obligations which are not delinquent; (vii) liens incurred in connection with the extension, renewal or refinancing of the indebtedness secured by liens of the type described above in clauses (i) or (ii) above, provided that any extension, renewal or replacement lien is limited to the property encumbered by the existing lien and the principal amount of the indebtedness being extended, renewed or refinanced does not increase; (viii) Liens in favor of customs and revenue authorities which secure payment of customs duties in connection with the importation of goods. Silicon will have the right to require, as a condition to its consent under subparagraph (iv) above, that the holder of the additional security interest or lien sign an intercreditor agreement on Silicon's then standard form, acknowledge that the security interest is subordinate to the security interest in favor of Silicon, and agree not to take any action to enforce its subordinate security interest so long as any Obligations remain outstanding, and that Borrower agree that any uncured default in any obligation secured by the subordinate security interest shall also constitute an Event of Default under this Agreement.

"Person" means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, government, or any agency or political division thereof, or any other entity.

"Receivables" means all of Borrower's now owned and hereafter acquired accounts (whether or not earned by performance), letters of credit, contract rights, chattel paper, instruments, securities, securities accounts, investment property, documents and all other forms of obligations at any time owing to Borrower, all guaranties and other security therefor, all merchandise returned to or repossessed by Borrower, and all rights of stoppage in transit and all other rights or remedies of an unpaid vendor, lienor or secured party.

"Reserves" means, as of any date of determination, such amounts as Silicon may from time to time establish and revise in good faith reducing the amount of Loans, Letters of Credit and other financial accommodations which would otherwise be available to Borrower under the lending formula(s) provided in the Schedule: (a) to reflect events, conditions, contingencies or risks which, as determined by Silicon in good faith, do or may affect (i) the Collateral or any other property which is security for the Obligations or its value (including without limitation any increase in delinquencies of Receivables), (ii) the assets, business or prospects of Borrower or any Guarantor, or (iii) the security interests and other rights of Silicon in the Collateral (including the enforceability, perfection and priority thereof); or (b) to reflect Silicon's good faith belief that any collateral report or financial information furnished by or on behalf of Borrower or any Guarantor to Silicon is or may have been incomplete, inaccurate or misleading in any material respect; or (c) in respect of any state of facts which Silicon determines in good faith constitutes an Event of Default or may, with notice or passage of time or both, constitute an Event of Default.

Other Terms. All accounting terms used in this Agreement, unless otherwise indicated, shall have the meanings given to such terms in accordance with generally accepted accounting principles, consistently applied. All other terms contained in this Agreement, unless otherwise indicated, shall have the meanings provided by the Code, to the extent such terms are defined therein.

9. *GENERAL PROVISIONS.*

9.1 Interest Computation. In computing interest on the Obligations, all checks, and other items of payment received by Silicon (including proceeds of Receivables and payment of the Obligations in full) shall be deemed applied by Silicon on account of the Obligations three Business Days after receipt by Silicon of immediately available funds **(except with respect to wire transfers which shall be deemed applied by Silicon on account of the Obligations the same Business Day as deemed received by Silicon)**, and, for purposes of the foregoing, any such funds received after 12:00 Noon on any day shall be deemed received on the next Business Day. Silicon shall not, however, be required to credit Borrower's account for the amount of any item of payment which is unsatisfactory to Silicon in its sole discretion, and Silicon may charge Borrower's loan account for the amount of any item of payment which is returned to Silicon unpaid.

9.2 Application of Payments. All payments with respect to the Obligations may be applied, and in Silicon's sole discretion reversed and re-applied, to the Obligations, in such order and manner as Silicon shall determine in its sole discretion.

9.3 Charges to Accounts. Silicon may, in its discretion, require that Borrower pay monetary Obligations in cash to Silicon, or charge them to Borrower's Loan account, in which event they will bear interest at the same rate applicable to the Loans. Silicon may also, in its discretion, charge any monetary Obligations to Borrower's Deposit Accounts maintained with Silicon.

9.4 Monthly Accountings. Silicon shall provide Borrower monthly with an account of advances, charges, expenses and payments made pursuant to this Agreement. Such account shall be deemed correct, accurate and binding on Borrower and an account stated (except for reverses and reapplications of payments made and corrections of errors discovered by Silicon), unless Borrower notifies Silicon in writing to the contrary within thirty days after each account is rendered, describing the nature of any alleged errors or admissions.

9.5 Notices. All notices to be given under this Agreement shall be in writing and shall be given either personally or by reputable private delivery service or by regular first-class mail, or certified mail return receipt requested, addressed to Silicon or Borrower at the addresses shown in the heading to this Agreement, or at any other address designated in writing by one party to the other party. Notices to Silicon shall be directed to the Commercial Finance Division, to the attention of the Division Manager or the Division Credit Manager. All notices shall be deemed to have been given upon delivery in the case of notices personally delivered, or at the expiration of one Business Day following delivery to the private delivery service, or two Business Days following the deposit thereof in the United States mail, with postage prepaid.

9.6 Severability. Should any provision of this Agreement be held by any court of competent jurisdiction to be void or unenforceable, such defect shall not affect the remainder of this Agreement, which shall continue in full force and effect.

9.7 Integration. This Agreement and such other written agreements, documents and instruments as may be executed in connection herewith are the final, entire and complete agreement between Borrower and Silicon and supersede all prior and contemporaneous negotiations and oral representations and agreements, all of which are merged and integrated in this Agreement. There are no oral understandings, representations or agreements between the parties which are not set forth in this Agreement or in other written agreements signed by the parties in connection herewith.

9.8 Waivers. The failure of Silicon at any time or times to require Borrower to strictly comply with any of the provisions of this Agreement or any other present or future agreement between Borrower and Silicon shall not waive or diminish any right of Silicon later to demand and receive strict compliance therewith. Any waiver of any default shall not waive or affect any other default, whether prior or subsequent, and whether or not similar. None of the provisions of this Agreement or any other agreement now or in the future executed by Borrower and delivered to Silicon shall be deemed to have been waived by any act or knowledge of Silicon or its agents or employees, but only by a specific written waiver signed by an authorized officer of Silicon and delivered to Borrower. Borrower waives demand, protest, notice of protest and notice of default or dishonor, notice of payment and nonpayment, release, compromise, settlement, extension or renewal of any commercial paper, instrument, account, General Intangible, document or guaranty at any time held by Silicon on which Borrower is or may in any way be liable, and notice of any action taken by Silicon, unless expressly required by this Agreement.

9.9 No Liability for Ordinary Negligence. Neither Silicon, nor any of its directors, officers, employees, agents, attorneys or any other Person affiliated with or representing Silicon shall be liable for any claims, demands, losses or damages, of any kind whatsoever, made, claimed, incurred or suffered by Borrower or any other party through the ordinary negligence of Silicon, or any of its directors, officers, employees, agents, attorneys or any other Person affiliated with or representing Silicon, but nothing herein shall relieve Silicon from liability for its own gross negligence or willful misconduct.

9.10 Amendment. The terms and provisions of this Agreement may not be waived or amended, except in a writing executed by Borrower and a duly authorized officer of Silicon.

9.11 Time of Essence. Time is of the essence in the performance by Borrower of each and every obligation under this Agreement.

9.12 Attorneys Fees and Costs. Borrower shall reimburse Silicon for all reasonable attorneys' fees and all filing, recording, search, title insurance, appraisal, audit, and other reasonable costs incurred by Silicon, pursuant to, or in connection with, or relating to this Agreement (whether or not a lawsuit is filed), including, but not limited to, any reasonable attorneys' fees and costs Silicon incurs in order to do the following: prepare and negotiate this Agreement and the documents relating to this Agreement; obtain legal advice in connection with

this Agreement or Borrower; enforce, or seek to enforce, any of its rights; prosecute actions against, or defend actions by, Account Debtors; commence, intervene in, or defend any action or proceeding; initiate any complaint to be relieved of the automatic stay in bankruptcy; file or prosecute any probate claim, bankruptcy claim, third-party claim, or other claim; examine, audit, copy, and inspect any of the Collateral or any of Borrower's books and records; protect, obtain possession of, lease, dispose of, or otherwise enforce Silicon's security interest in, the Collateral; and otherwise represent Silicon in any litigation relating to Borrower. In satisfying Borrower's obligation hereunder to reimburse Silicon for attorneys fees, Borrower may, for convenience, issue checks directly to Silicon's attorneys Levy, Small & Lallas, but Borrower acknowledges and agrees that Levy, Small & Lallas, is representing only Silicon and not Borrower in connection with this Agreement. If either Silicon or Borrower files any lawsuit against the other predicated on a breach of this Agreement, the prevailing party in such action shall be entitled to recover its reasonable costs and attorneys' fees, including (but not limited to) reasonable attorneys' fees and costs incurred in the enforcement of, execution upon or defense of any order, decree, award or judgment. All attorneys' fees and costs to which Silicon may be entitled pursuant to this Paragraph shall immediately become part of Borrower's Obligations, shall be due on demand, and shall bear interest at a rate equal to the highest interest rate applicable to any of the Obligations.

9.13 Benefit of Agreement. The provisions of this Agreement shall be binding upon and inure to the benefit of the respective successors, assigns, heirs, beneficiaries and representatives of Borrower and Silicon; provided, however, that Borrower may not assign or transfer any of its rights under this Agreement without the prior written consent of Silicon, and any prohibited assignment shall be void. No consent by Silicon to any assignment shall release Borrower from its liability for the Obligations.

9.14 Joint and Several Liability. If Borrower consists of more than one Person, their liability shall be joint and several, and the compromise of any claim with, or the release of, any Borrower shall not constitute a compromise with, or a release of, any other Borrower.

9.15 Limitation of Actions. Any claim or cause of action by Borrower against Silicon, its directors, officers, employees, agents, accountants or attorneys, based upon, arising from, or relating to this Loan Agreement, or any other present or future document or agreement, or any other transaction contemplated hereby or thereby or relating hereto or thereto, or any other matter, cause or thing whatsoever, occurred, done, omitted or suffered to be done by Silicon, its directors, officers, employees, agents, accountants or attorneys, shall be barred unless asserted by Borrower by the commencement of an action or proceeding in a court of competent jurisdiction by the filing of a complaint within eighteen months after the first act, occurrence or omission upon which such claim or cause of action, or any part thereof, is based, and the service of a summons and complaint on an officer of Silicon, or on any other person authorized to accept service on behalf of Silicon, within thirty (30) days thereafter. Borrower agrees that such eighteen month period is a reasonable and sufficient time for Borrower to investigate and act upon any such claim or cause of action. The eighteen month period provided herein shall not be waived, tolled, or extended except by the written consent of Silicon in its sole discretion. This provision shall survive any termination of this Loan Agreement or any other present or future agreement.

9.16 Paragraph Headings; Construction. Paragraph headings are only used in this Agreement for convenience. Borrower and Silicon acknowledge that the headings may not describe completely the subject matter of the applicable paragraph, and the headings shall not be used in any manner to construe, limit, define or interpret any term or provision of this Agreement. The term "including", whenever used in this Agreement, shall mean "including (but not limited to)". This Agreement has been fully reviewed and negotiated between the parties and no uncertainty or ambiguity in any term or provision of this Agreement shall be construed strictly against Silicon or Borrower under any rule of construction or otherwise.

9.17 Governing Law; Jurisdiction; Venue. This Agreement and all acts and transactions hereunder and all rights and obligations of Silicon and Borrower shall be governed by the laws of the State of California. As a material part of the consideration to Silicon to enter into this Agreement, Borrower (i) agrees that all actions and proceedings relating directly or indirectly to this Agreement shall, at Silicon's option, be litigated in courts located within California, and that the exclusive venue therefor shall be Santa Clara County; (ii) consents to the jurisdiction and venue of any such court and consents to service of process in any such action or proceeding by personal delivery or any other method permitted by law; and (iii) waives any and all rights Borrower may have to object to the jurisdiction of any such court, or to transfer or change the venue of any such action or proceeding.

9.18 Mutual Waiver of Jury Trial. BORROWER AND SILICON EACH HEREBY WAIVE THE RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATING TO, THIS AGREEMENT OR ANY OTHER PRESENT OR FUTURE INSTRUMENT OR AGREEMENT BETWEEN SILICON AND BORROWER, OR ANY CONDUCT, ACTS OR OMISSIONS OF SILICON OR BORROWER OR ANY OF THEIR DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS OR ANY OTHER PERSONS AFFILIATED WITH SILICON OR BORROWER, IN ALL OF THE FOREGOING CASES, WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE.

Borrower:

DIGIRAD CORPORATION

By */s/ Illegible*
President or Vice President

By */s/ Gary G. Atkinson*
Secretary or Ass't Secretary

Silicon:

SILICON VALLEY BANK

By _____
Title _____

Form 3/24/99
Version -0-4

SILICON VALLEY BANK

Schedule To

Loan And Security Agreement

Borrower: **Digirad Corporation**
Address: **9350 Trade Place**
San Diego, CA 92126

Date: **July 31, 2001**

This Schedule forms an integral part of the Loan and Security Agreement between Silicon Valley Bank and the above-borrower of even date.

1. CREDIT LIMIT (Section 1.1):

An amount not to exceed the lesser of a total of $4,300,000 at any one time outstanding (the "Maximum Credit Limit"), or the sum of (a) and (b) below:

(a) 75% (the "Percentage Advance Rate") of the amount of Borrower's Eligible Receivables (as defined in Section 8 above), plus

(b) an amount not to exceed the lesser of:

(1) 25% of the value of Borrower's Eligible Inventory (as defined in Section 8 above), calculated at the lower of cost or market value and determined on a first-in, first-out basis, or

(2) 50% of the amount of Borrower's Eligible Receivables (as defined in Section 8 above), or

(3) $300,000.

The foregoing Percentage Advance Rate is typically based on the quality of the Receivables and attendant Dilution as follows: up to 85% Percentage Advance Rate with 5% Dilution; up to 80% Percentage Advance Rate with Dilution over 5% but less than 10%; up to 75% Percentage Advance Rate when Dilution is over 10% but less than 15%. If Dilution exceeds 15%, a reserve is established for the dilution factor rounded up to the nearest whole number then multiplied by a factor of up to 75%.

As used above, "Dilution" means all deductions from Receivables by Account Debtors of Borrower, other than

those arising from payment thereof, and includes without limitation deductions arising from advertising and other allowances, credit memos, returns, bad debts, and all other deductions, as determined by Silicon's audit and for such period as Silicon shall determine. Changes in the Percentage Advance Rate based on Dilution shall go into effect when Silicon has determined the amount of the Dilution and given written notice to the Borrower of the change in the Percentage Advance Rate. If, as a result of a decrease in the Percentage Advance Rate, the total Loans and other Obligations exceed the Credit Limit, the Borrower shall pay the excess to Silicon in accordance with the terms of this Agreement.

Moreover, prior to any increase in the Percentage Advance Rate going into effect, the delinquency rate with respect to the Borrower's Receivables must be satisfactory to Silicon in its sole discretion.

2. INTEREST.

Interest Rate (Section 1.2):

A rate equal to the "Prime Rate" in effect from time to time, plus 2.0% per annum. Interest shall be calculated on the basis of a 360-day year for the actual number of days elapsed. "Prime Rate" means the rate announced from time to time by Silicon as its "prime rate;" it is a base rate upon which other rates charged by Silicon are based, and it is not necessarily the best rate available at Silicon.The interest rate applicable to the Obligations shall change on each date there is a change in the Prime Rate.

Minimum Monthly Interest (Section 1.2):

$5,000 per month.

3. FEES (Section 1.4):

Loan Fee:

$43,000, payable concurrently herewith.

Collateral Monitoring Fee:

$500, per month, payable in arrears (prorated for any partial month at the beginning and at termination of this Agreement).

4. MATURITY DATE (Section 6.1):

One year from the date of this Agreement.

5. FINANCIAL COVENANTS. (Section 5.1):

Borrower shall comply with each of the following covenant(s). Compliance shall be determined as of the end of each month, except as otherwise specifically provided below:

Minimum Tangible Net Worth:

Borrower shall maintain, at the Borrower level only and not consolidated with any subsidiaries, a Tangible Net Worth of not less than $6,000,000, plus 25% of the consideration

received after the date hereof for the issuance of equity securities of the Borrower; provided, however, for the month of August 2001 only, the 25% will be applicable only to all consideration received in excess of $4,000,000; and

Borrower shall maintain, on a consolidated basis, a Tangible Net Worth of not less than $5,000,000, plus 25% of the consideration received after the date hereof for the issuance of equity securities of the Borrower; provided, however, for the month of August 2001 only, the 25% will be applicable only to all consideration received in excess of $4,000,000.

Definitions. For purposes of the foregoing financial covenants, the following term shall have the following meaning:

"Current assets", "current liabilities" and "liabilities" shall have the meaning ascribed thereto by generally accepted accounting principles.

"Tangible Net Worth" shall mean the excess of total assets over total liabilities, determined in accordance with generally accepted accounting principles, with the following adjustments:

(A) there shall be excluded from assets: (i) notes, accounts receivable and other obligations owing to Borrower from its officers or other Affiliates, and (ii) all assets which would be classified as intangible assets under generally accepted accounting principles, including without limitation goodwill, licenses, patents, trademarks, trade names, copyrights, capitalized software and organizational costs, licenses and franchises

(B) there shall be excluded from liabilities: all indebtedness which is subordinated to the Obligations under a subordination agreement in form specified by Silicon or by language in the instrument evidencing the indebtedness which is acceptable to Silicon in its discretion.

6. REPORTING. (Section 5.3): Borrower shall provide Silicon with the following:

1. Monthly Receivable agings, aged by invoice date, within

fifteen days after the end of each month. 2. Monthly accounts payable agings, aged by invoice date, and outstanding or held check registers, if any, within fifteen days after the end of each month. 3. Monthly reconciliations of Receivable agings (aged by invoice date), transaction reports, and general ledger, within fifteen days after the end of each month. 4. Monthly perpetual inventory reports for the Inventory valued on a first-in, first-out basis at the lower of cost or market (in accordance with generally accepted accounting principles) or such other inventory reports as are reasonably requested by Silicon, all within fifteen days after the end of each month. 5. Monthly unaudited financial statements, as soon as available, and in any event within thirty days after the end of each month.

6. Monthly Compliance Certificates, within thirty days after the end of each month, in such form as Silicon shall reasonably specify, signed by the Chief Financial Officer of Borrower, certifying that as of the end of such month Borrower was in full compliance with all of the terms and conditions of this Agreement, and setting forth calculations showing compliance with the financial covenants set forth in this Agreement and such other information as Silicon shall reasonably request, including, without limitation, a statement that at the end of such month there were no held checks. 7. Quarterly unaudited financial statements, as soon as available, and in any event within forty-five days after the end of each fiscal quarter of Borrower. 8. Annual operating budgets (including income statements, balance sheets and cash flow statements, by month) for the upcoming fiscal year of Borrower within thirty days prior to the end of each fiscal year of Borrower. 9. Annual financial statements, as soon as available, and in any event within 120 days following the end of Borrower's fiscal year, certified by independent certified public accountants acceptable to Silicon.

7. COMPENSATION (Section 5.5): Not applicable.

8. BORROWER INFORMATION:

Prior Names of Borrower (Section 3.2): See Representations and Warranties dated March 14, 2001.

Prior Trade Names of Borrower (Section 3.2): See Representations and Warranties dated March 14, 2001.

Existing Trade Names of Borrower See Representations and Warranties dated March 14, 2001.

(Section 3.2):

Other Locations and Addresses (Section 3.3): See Representations and Warranties dated March 14, 2001.

Material Locations and Addresses (Section 3.10): None.

9. OTHER COVENANTS (Section 5.1): Borrower shall at all times comply with all of the following additional covenants:

(1) **Banking Relationship**. Borrower shall at all times maintain its primary banking relationship with Silicon.

(2) **Subordination of Inside Debt**. All present and future indebtedness of Borrower to its officers, directors and shareholders ("Inside Debt") shall, at all times, be subordinated to the Obligations pursuant to a subordination agreement on Silicon's standard form. Borrower represents and warrants that there is no Inside Debt presently outstanding, except for the following: NONE. Prior to incurring any Inside Debt in the future, Borrower shall cause the person to whom such Inside Debt will be owed to execute and deliver to Silicon a subordination agreement on Silicon's standard form.

(3) **Warrants.** Borrower shall provide Silicon with five-year warrants to purchase 42,490 shares of Series E Preferred Stock of the Borrower, at $3.036 per share, on the terms and conditions in the Warrant to Purchase Stock and related documents being executed concurrently herewith.

(4) **Future Warrants.** In the event the Maximum Credit Limit (as defined above) increases, Borrower agrees that it shall issue to Silicon additional warrants to purchase stock of Borrower, on Silicon's standard form with such modifications as are acceptable to Silicon in its sole discretion, for an amount of shares equal to 3% of the increase in the Maximum Credit Limit divided by the initial exercise price of such warrant. The class of stock and initial exercise price shall be determined at or about the time of such

proposed increase in the Maximum Credit Limit.

(5) **Intellectual Property Security Agreement**. Concurrently, Borrower is executing and delivering to Silicon a Collateral Assignment, Patent Mortgage and Security Agreement between Borrower and Silicon (the "Intellectual Property Agreement"). Borrower shall (i) cause the Intellectual Property Agreement to be recorded in the United States Patent and Trademark Office and (ii) provide evidence of such recordation to Silicon.

(6) **Landlord Waivers.** Within 30 days after the date hereof, Borrower shall cause the record owners (other than Borrower) of all real property upon which Borrower maintains inventory to execute and deliver to Silicon, on Silicon's standard form, a landlord waiver containing such other terms and conditions as Silicon may require.

(7) **Default Notice from Heller Financial.** Within 10 Business Days after the date hereof, Borrower shall cause Heller Financial to amend its financing agreements with Borrower's subsidiary(ies) (the "Heller Documents") to require Heller Financial to provide Silicon with written notice of any default under the Heller Documents, and Borrower shall provide Silicon with evidence of such amendment to the Heller Documents.

Borrower:	Silicon:
DIGIRAD CORPORATION	SILICON VALLEY BANK
By *s/ Illegible* President or Vice President	By _____ Title _____
By *s/ Gary G. Atkinson* Secretary or Ass't Secretary	

COLLATERAL ASSIGNMENT, PATENT MORTGAGE AND SECURITY AGREEMENT

This Collateral Assignment, Patent Mortgage and Security Agreement is made as of July 31, 2001 by and between Digirad Corporation ("Assignor"), and Silicon Valley Bank, a California banking corporation ("Assignee").

RECITALS

A. Assignee has agreed to lend to Assignor certain funds (the "Loans"), pursuant to a Loan and Security Agreement dated July 31, 2001 (the "Loan Agreement") and Assignor desires to borrow such funds from Assignee.

B. In order to induce Assignee to make the Loans, Assignor has agreed to assign certain intangible property to Assignee for purposes of securing the obligations of Assignor to Assignee.

NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. Assignment, Patent Mortgage and Grant of Security Interest. As collateral security for the prompt and complete payment and performance of all of Assignor's present or future indebtedness, obligations and liabilities to Assignee, Assignor hereby assigns, transfers, conveys and grants a security interest and mortgage to Assignee, as security, but not as an ownership interest, in and to Assignor's entire right, title and interest in, to and under the following (all of which shall collectively be called the "Collateral"):

(a) All of present and future United States registered copyrights and copyright registrations, including, without limitation, the registered copyrights listed in Exhibit A-1 to this Agreement (and including all of the exclusive rights afforded a copyright registrant in the United States under 17 U.S.C. §106 and any exclusive rights which may in the future arise by act of Congress or otherwise) and all present and future applications for copyright registrations (including applications for copyright registrations of derivative works and compilations) (collectively, the "Registered Copyrights"), and any and all royalties, payments, and other amounts payable to Assignor in connection with the Registered Copyrights, together with all renewals and extensions of the Registered Copyrights, the right to recover for all past, present, and future infringements of the Registered Copyrights, and all computer programs, computer databases, computer program flow diagrams, source codes, object codes and all tangible property embodying or incorporating the Registered Copyrights, and all other rights of every kind whatsoever accruing thereunder or pertaining thereto.

(b) All present and future copyrights which are not registered in the United States Copyright Office (the "Unregistered Copyrights"), whether now owned or hereafter acquired, including without limitation the Unregistered Copyrights listed in Exhibit A-2 to this Agreement, and any and all royalties, payments, and other amounts payable to Assignor in connection with the Unregistered Copyrights, together with all renewals and extensions of the Unregistered Copyrights, the right to recover for all past, present, and future infringements of the Unregistered Copyrights, and all computer programs, computer databases, computer program

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flow diagrams, source codes, object codes and all tangible property embodying or incorporating the Unregistered Copyrights, and all other rights of every kind whatsoever accruing thereunder or pertaining thereto. The Registered Copyrights and the Unregistered Copyrights collectively are referred to herein as the "Copyrights."

(c) All right, title and interest in and to any and all present and future license agreements with respect to the Copyrights, including without limitation the license agreements listed in Exhibit A-3 to this Agreement (the "Licenses").

(d) All present and future accounts, accounts receivable and other rights to payment arising from, in connection with or relating to the Copyrights.

(e) Any and all trade secrets, and any and all intellectual property rights in computer software and computer software products now or hereafter existing, created, acquired or held;

(f) Any and all design rights which may be available to Assignor now or hereafter existing, created, acquired or held;

(g) All patents, patent applications and like protections including, without limitation, improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same, including without limitation the patents and patent applications set forth on Exhibit B attached hereto (collectively, the "Patents");

(h) Any trademark and servicemark rights, whether registered or not, applications to register and registrations of the same and like protections, and the entire goodwill of the business of Assignor connected with and symbolized by such trademarks, including without limitation those set forth on Exhibit C attached hereto (collectively, the "Trademarks")

(i) Any and all claims for damages by way of past, present and future infringements of any of the rights included above, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the intellectual property rights identified above;

(j) All licenses or other rights to use any of the Copyrights, Patents or Trademarks, and all license fees and royalties arising from such use to the extent permitted by such license or rights;

(k) All amendments, extensions, renewals and extensions of any of the Copyrights, Trademarks or Patents; and

(l) All proceeds and products of the foregoing, including without limitation all payments under insurance or any indemnity or warranty payable in respect of any of the foregoing.

THE INTEREST IN THE COLLATERAL BEING ASSIGNED HEREUNDER SHALL NOT BE CONSTRUED AS A CURRENT ASSIGNMENT, BUT AS A CONTINGENT ASSIGNMENT TO SECURE ASSIGNOR'S OBLIGATIONS TO ASSIGNEE UNDER

THE LOAN AGREEMENT.

2. Authorization and Request. Assignor authorizes and requests that the Register of Copyrights and the Commissioner of Patents and Trademarks record this conditional assignment.

3. Covenants and Warranties. Assignor represents, warrants, covenants and agrees as follows:

(a) Assignor is now the sole owner of the Collateral, except for non-exclusive licenses granted by Assignor to its customers in the ordinary course of business.

(b) Listed on Exhibits A-1 and A-2 are all copyrights owned by Assignor, in which Assignor has an interest, or which are used in Assignor's business.

(c) Each employee, agent and/or independent contractor who has participated in the creation of the property constituting the Collateral has either executed an assignment of his or her rights of authorship to Assignor or is an employee of Assignor acting within the scope of his or her employment and was such an employee at the time of said creation.

(d) All of Assignor's present and future software, computer programs and other works of authorship subject to United States copyright protection, the sale, licensing or other disposition of which results in royalties receivable, license fees receivable, accounts receivable or other sums owing to Assignor (collectively, "Receivables"), have been and shall be registered with the United States Copyright Office prior to the date Assignor requests or accepts any loan from Assignee with respect to such Receivables and prior to the date Assignor includes any such Receivables in any accounts receivable aging, borrowing base report or certificate or other similar report provided to Assignee, and Assignor shall provide to Assignee copies of all such registrations promptly upon the receipt of the same.

(e) Assignor shall undertake all reasonable measures to cause its employees, agents and independent contractors to assign to Assignor all rights of authorship to any copyrighted material in which Assignor has or may subsequently acquire any right or interest.

(f) Performance of this Assignment does not conflict with or result in a breach of any agreement to which Assignor is bound, except to the extent that certain intellectual property agreements prohibit the assignment of the rights thereunder to a third party without the licensor's or other party's consent and this Assignment constitutes an assignment.

(g) During the term of this Agreement, Assignor will not transfer or otherwise encumber any interest in the Collateral, except for non-exclusive licenses granted by Assignor in the ordinary course of business or as set forth in this Assignment;

(h) Each of the Patents is valid and enforceable, and no part of the Collateral has been judged invalid or unenforceable, in whole or in part, and no claim has been made that any part of the Collateral violates the rights of any third party;

(i) Assignor shall promptly advise Assignee of any material adverse change

in the composition of the Collateral, including but not limited to any subsequent ownership right of the Assignor in or to any Trademark, Patent or Copyright not specified in this Assignment;

(j) Assignor shall (i) protect, defend and maintain the validity and enforceability of the Trademarks, Patents and Copyrights, (ii) use its best efforts to detect infringements of the Trademarks, Patents and Copyrights and promptly advise Assignee in writing of material infringements detected and (iii) not allow any Trademarks, Patents, or Copyrights to be abandoned, forfeited or dedicated to the public without the written consent of Assignee, which shall not be unreasonably withheld unless Assignor determines that reasonable business practices suggest that abandonment is appropriate.

(k) Assignor shall promptly register the most recent version of any of Assignor's Copyrights, if not so already registered, and shall, from time to time, execute and file such other instruments, and take such further actions as Assignee may reasonably request from time to time to perfect or continue the perfection of Assignee's interest in the Collateral;

(l) This Assignment creates, and in the case of after acquired Collateral, this Assignment will create at the time Assignor first has rights in such after acquired Collateral, in favor of Assignee a valid and perfected first priority security interest in the Collateral in the United States securing the payment and performance of the obligations evidenced by the Loan Agreement upon making the filings referred to in clause (m) below;

(m) To its knowledge, except for, and upon, the filing with the United States Patent and Trademark office with respect to the Patents and Trademarks and the Register of Copyrights with respect to the Copyrights necessary to perfect the security interests and assignment created hereunder and except as has been already made or obtained, no authorization, approval or other action by, and no notice to or filing with, any U.S. governmental authority or U.S. regulatory body is required either (i) for the grant by Assignor of the security interest granted hereby or for the execution, delivery or performance of this Assignment by Assignor in the U.S. or (ii) for the perfection in the United States or the exercise by Assignee of its rights and remedies thereunder;

(n) All information heretofore, herein or hereafter supplied to Assignee by or on behalf of Assignor with respect to the Collateral is accurate and complete in all material respects.

(o) Assignor shall not enter into any agreement that would materially impair or conflict with Assignor's obligations hereunder without Assignee's prior written consent, which consent shall not be unreasonably withheld. Assignor shall not permit the inclusion in any material contract to which it becomes a party of any provisions that could or might in any way prevent the creation of a security interest in Assignor's rights and interest in any property included within the definition of the Collateral acquired under such contracts, except that certain contracts may contain anti-assignment provisions that could in effect prohibit the creation of a security interest in such contracts.

(p) Upon any executive officer of Assignor obtaining actual knowledge thereof, Assignor will promptly notify Assignee in writing of any event that materially adversely

affects the value of any material Collateral, the ability of Assignor to dispose of any material Collateral or the rights and remedies of Assignee in relation thereto, including the levy of any legal process against any of the Collateral.

4. Assignee's Rights. Assignee shall have the right, but not the obligation, to take, at Assignor's sole expense, any actions that Assignor is required under this Assignment to take but which Assignor fails to take, after fifteen (15) days' notice to Assignor. Assignor shall reimburse and indemnify Assignee for all reasonable costs and reasonable expenses incurred in the reasonable exercise of its rights under this Section 4.

5. Inspection Rights. Assignor hereby grants to Assignee and its employees, representatives and agents the right to visit, during reasonable hours upon prior reasonable written notice to Assignor, and any of Assignor's plants and facilities that manufacture, install or store products (or that have done so during the prior six-month period) that are sold utilizing any of the Collateral, and to inspect the products and quality control records relating thereto upon reasonable written notice to Assignor and as often as may be reasonably requested, but not more than one (1) in every six (6) months; provided, however, nothing herein shall entitle Assignee access to Assignor's trade secrets and other proprietary information.

6. Further Assurances; Attorney in Fact.

(a) Upon an Event of Default, on a continuing basis thereafter, Assignor will, subject to any prior licenses, encumbrances and restrictions and prospective licenses, make, execute, acknowledge and deliver, and file and record in the proper filing and recording places in the United States, all such instruments, including, appropriate financing and continuation statements and collateral agreements and filings with the United States Patent and Trademarks Office and the Register of Copyrights, and take all such action as may reasonably be deemed necessary or advisable, or as requested by Assignee, to perfect Assignee's security interest in all Copyrights, Patents and Trademarks and otherwise to carry out the intent and purposes of this Collateral Assignment, or for assuring and confirming to Assignee the grant or perfection of a security interest in all Collateral.

(b) Upon an Event of Default, Assignor hereby irrevocably appoints Assignee as Assignor's attorney-in-fact, with full authority in the place and stead of Assignor and in the name of Assignor, Assignee or otherwise, from time to time in Assignee's discretion, upon Assignor's failure or inability to do so, to take any action and to execute any instrument which Assignee may deem necessary or advisable to accomplish the purposes of this Collateral Assignment, including:

(i) To modify, in its sole discretion, this Collateral Assignment without first obtaining Assignor's approval of or signature to such modification by amending Exhibit A-1, Exhibit A-2, Exhibit A-3, Exhibit B and Exhibit C, thereof, as appropriate, to include reference to any right, title or interest in any Copyrights, Patents or Trademarks acquired by Assignor after the execution hereof or to delete any reference to any right, title or interest in any Copyrights, Patents or Trademarks in which Assignor no longer has or claims any right, title or interest; and

(ii) To file, in its sole discretion, one or more financing or continuation statements and amendments thereto, relative to any of the Collateral without the signature of Assignor where permitted by law.

7. Events of Default. The occurrence of any of the following shall constitute an Event of Default under the Assignment:

(a) An Event of Default occurs under the Loan Agreement; or

(b) Assignor breaches any warranty or agreement made by Assignor in this Assignment.

8. Remedies. Upon the occurrence and continuance of an Event of Default, Assignee shall have the right to exercise all the remedies of a secured party under the California Uniform Commercial Code, including without limitation the right to require Assignor to assemble the Collateral and any tangible property in which Assignee has a security interest and to make it available to Assignee at a place designated by Assignee. Assignee shall have a nonexclusive, royalty free license to use the Copyrights, Patents and Trademarks to the extent reasonably necessary to permit Assignee to exercise its rights and remedies upon the occurrence of an Event of Default. Assignor will pay any expenses (including reasonable attorney's fees) incurred by Assignee in connection with the exercise of any of Assignee's rights hereunder, including without limitation any expense incurred in disposing of the Collateral. All of Assignee's rights and remedies with respect to the Collateral shall be cumulative.

9. Indemnity. Assignor agrees to defend, indemnify and hold harmless Assignee and its officers, employees, and agents against: (a) all obligations, demands, claims, and liabilities claimed or asserted by any other party in connection with the transactions contemplated by this Agreement, and (b) all losses or expenses in any way suffered, incurred, or paid by Assignee as a result of or in any way arising out of, following or consequential to transactions between Assignee and Assignor, whether under this Assignment or otherwise (including without limitation, reasonable attorneys fees and reasonable expenses), except for losses arising form or out of Assignee's gross negligence or willful misconduct.

10. Release. At such time as Assignor shall completely satisfy all of the obligations secured hereunder, Assignee shall execute and deliver to Assignor all assignments and other instruments as may be reasonably necessary or proper to terminate Assignee's security interest in the Collateral, subject to any disposition of the Collateral which may have been made by Assignee pursuant to this Agreement. For the purpose of this Agreement, the obligations secured hereunder shall be deemed to continue if Assignor enters into any bankruptcy or similar proceeding at a time when any amount paid to Assignee could be ordered to be repaid as a preference or pursuant to a similar theory, and shall continue until it is finally determined that no such repayment can be ordered.

11. No Waiver. No course of dealing between Assignor and Assignee, nor any failure to exercise nor any delay in exercising, on the part of Assignee, any right, power, or privilege under this Agreement or under the Loan Agreement or any other agreement, shall operate as a waiver. No single or partial exercise of any right, power, or privilege under this Agreement or

under the Loan Agreement or any other agreement by Assignee shall preclude any other or further exercise of such right, power, or privilege or the exercise of any other right, power, or privilege by Assignee.

12. Rights Are Cumulative. All of Assignee's rights and remedies with respect to the Collateral whether established by this Agreement, the Loan Agreement, or any other documents or agreements, or by law shall be cumulative and may be exercised concurrently or in any order.

13. Course of Dealing. No course of dealing, nor any failure to exercise, nor any delay in exercising any right, power or privilege hereunder shall operate as a waiver thereof.

14. Attorneys' Fees. If any action relating to this Assignment is brought by either party hereto against the other party, the prevailing party shall be entitled to recover reasonable attorneys fees, costs and disbursements.

15. Amendments. This Assignment may be amended only by a written instrument signed by both parties hereto. To the extent that any provision of this Agreement conflicts with any provision of the Loan Agreement, the provision giving Assignee greater rights or remedies shall govern, it being understood that the purpose of this Agreement is to add to, and not detract from, the rights granted to Assignee under the Loan Agreement. This Agreement, the Loan Agreement, and the documents relating thereto comprise the entire agreement of the parties with respect to the matters addressed in this Agreement.

16. Severability. The provisions of this Agreement are severable. If any provision of this Agreement is held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such provision, or part thereof, in such jurisdiction, and shall not in any manner affect such provision or part thereof in any other jurisdiction, or any other provision of this Agreement in any jurisdiction.

17. Counterparts. This Assignment may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute the same instrument.

18. California Law and Jurisdiction. This Assignment shall be governed by the laws of the State of California, without regard for choice of law provisions. Assignor and Assignee consent to the nonexclusive jurisdiction of any state or federal court located in Orange County, California.

19. Confidentiality. In handling any confidential information, Assignee shall exercise the same degree of care that it exercises with respect to its own proprietary information of the same types to maintain the confidentiality of any non-public information thereby received or received pursuant to this Assignment except that the disclosure of this information may be made (i) to the affiliates of the Assignee, (ii) to prospective transferee or purchasers of an interest in the obligations secured hereby, provided that they have entered into a comparable confidentiality agreement in favor of Assignor and have delivered a copy to Assignor, (iii) as required by law, regulation, rule or order, subpoena judicial order or similar order and (iv) as maybe required in connection with the examination, audit or similar investigation of Assignee.

20. **WAIVER OF RIGHT TO JURY TRIAL. ASSIGNEE AND ASSIGNOR EACH HEREBY WAIVE THE RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATING TO: (I) THIS AGREEMENT; OR (II) ANY OTHER PRESENT OR FUTURE INSTRUMENT OR AGREEMENT BETWEEN ASSIGNEE AND ASSIGNOR; OR (III) ANY CONDUCT, ACTS OR OMISSIONS OF ASSIGNEE OR ASSIGNOR OR ANY OF THEIR DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS OR ANY OTHER PERSONS AFFILIATED WITH ASSIGNEE OR ASSIGNOR; IN EACH OF THE FOREGOING CASES, WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE.**

IN WITNESS WHEREOF, the parties hereto have executed this Assignment on the day and year first above written.

ASSIGNOR:

DIGIRAD CORPORATION

By: */s/ Gary JG Atkinson*
Title: Chief Financial Officer
Name (please print):
Gary Atkinson
Address of Assignor:

9350 Trade Place
San Diego, CA 92126

STATE OF California)
) ss,
COUNTY OF San Diego)

On August 3, 2001, before me, Claudia Perez, Notary Public, personally appeared Gary Atkinson, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

Witness my hand and official seal.

/s/
(Seal)

Official Seal

EXHIBIT "A-l"

REGISTERED COPYRIGHTS

REG. DATE	REG. DATE	COPYRIGHT
NONE		

EXHIBIT "A-2"

UNREGISTERED COPYRIGHTS

NONE

DESCRIPTION OF COPYRIGHTS

EXHIBIT "A-3"

DESCRIPTION OF LICENSE AGREEMENTS

1. Software license agreement with Segami Corporation dated June 16, 1999.
2. Licence agreement with Ethicon Endo-Surgery, Inc. dated June 22, 1999.
3. Software products license agreement with Strategic Information Group, Inc. dated December 31, 1998.
4. Software license agreement with Corporate Management Solutions, Inc. dated July 21, 1999.
5. Software license and maintenance agreement with Cadence Design Systems, Inc. dated November 16, 1999.
6. Software products license agreement with QAD, Inc. dated January 6, 1999.

EXHIBIT "B"

PATENTS

PATENT	SERIAL/APPL. NO.	FILING DATE

***

***Portions of this page have been omitted pursuant to a request for Confidential Treatment and filed separately with the Commission.

EXHIBIT "C"

TRADEMARKS

MARK	REG/FILE DATE	APP./SERIAL NO.
Digirad Imaging Solutions	March 6, 2001	76220818
Agile	June 5, 2000	76067092
DIGIRAD	December 22, 1999	75879709
Spectour	September 14, 1999	75799823
2020tc Imager	September 14, 1999	75799499
SpectrumPlus	November 22, 1996	75202359
Notebook Imager		
Digirad	September 6, 1994	74569856
Rim		
Hybrid Heat Sink		

Silicon Valley Bank

Certified Resolution and Incumbency Certificate

Borrower: Digirad Corporation,
a corporation organized under the laws
of the State of Delaware

Date: July 31, 2001

I, the undersigned, Secretary or Assistant Secretary of the above-named borrower, a corporation organized under the laws of the state set forth above, do hereby certify that the following is a full, true and correct copy of resolutions duly and regularly adopted by the Board of Directors of said corporation as required by law, and by the by-laws of said corporation, and that said resolutions are still in full force and effect and have not been in any way modified, repealed, rescinded, amended or revoked.

RESOLVED, that this corporation borrow from Silicon Valley Bank ("Silicon"), from time to time, such sum or sums of money as, in the judgment of the officer or officers hereinafter authorized hereby, this corporation may require.

RESOLVED FURTHER, that any officer of this corporation be, and he or she is hereby authorized, directed and empowered, in the name of this corporation, to execute and deliver to Silicon, and Silicon is requested to accept, the loan agreements, security agreements, notes, financing statements, and other documents and instruments providing for such loans and evidencing and/or securing such loans, with interest thereon, and said authorized officers are authorized from time to time to execute renewals, extensions and/or amendments of said loan agreements, security agreements, and other documents and instruments.

RESOLVED FURTHER, that said authorized officers be and they are hereby authorized, directed and empowered, as security for any and all indebtedness of this corporation to Silicon, whether arising pursuant to this resolution or otherwise, to grant, transfer, pledge, mortgage, assign, or otherwise hypothecate to Silicon, or deed in trust for its benefit, any property of any and every kind, belonging to this corporation, including, but not limited to, any and all real property, accounts, inventory, equipment, general intangibles, instruments, documents, chattel paper, notes, money, deposit accounts, furniture, fixtures, goods, and other property of every kind, and to execute and deliver to Silicon any and all grants, transfers, trust receipts, loan or credit agreements, pledge agreements, mortgages, deeds of trust, financing statements, security agreements and other hypothecation agreements, which said instruments and the note or notes and other instruments referred to in the preceding paragraph may contain such provisions, covenants, recitals and agreements as Silicon may require and said authorized officers may approve, and the execution thereof by said authorized officers shall be conclusive evidence of such approval.

RESOLVED FURTHER, that Silicon may conclusively rely upon a certified copy of these

resolutions and a certificate of the Secretary or Ass't Secretary of this corporation as to the officers of this corporation and their offices and signatures, and continue to conclusively rely on such certified copy of these resolutions and said certificate for all past, present and future transactions until written notice

of any change hereto or thereto is given to Silicon by this corporation by certified mail, return receipt requested.

RESOLVED FURTHER, that, in connection with the foregoing loans, this corporation shall issue to Silicon five-year warrants to purchase 42,490 shares of Series E Preferred stock of this corporation, at $3.036 per share, on the terms and provisions of Silicon's standard form Warrant to Purchase Stock and related documents; with such changes therein as Silicon and this corporation shall agree; any officer of this corporation is hereby authorized to execute and deliver such Warrant to Purchase Stock and related documents, and all documents and instruments relating thereto, in such form and containing such additional provisions as said authorized officers may approve, and the execution thereof by said authorized officers shall be conclusive evidence of such approval.

The undersigned further hereby certifies that the following persons are the duly elected and acting officers of the corporation named above as borrower and that the following are their actual signatures:

NAMES	OFFICE (S)	ACTUAL SIGNATURES
R. Scott Huennekens	President and CEO	*/s/ R. Scott Huennekens*
Gary JG Atkinson	Vice President and CEO	*/s/ Gary JG Atkinson*

IN WITNESS WHEREOF, I have hereunto set my hand as such Secretary or Assistant Secretary on the date set forth above.

Gary JG Atkinson
Secretary or Assistant Secretary

Deposit Account Control Agreement

July 31, 2001

Merrill Lynch

Boston, MA

Re: Digirad Corporation

Gentlemen:

Digirad Corporation (the "Customer") has granted to Silicon Valley Bank (the "Lender") a security interest in, and lien on, all of the following (whether now or hereafter existing or arising) (collectively, the "Collateral"): All of the Customer's present and future deposit accounts maintained by the Customer with you (the "Deposit Accounts"), including without limitation all demand, time, savings, passbook and similar accounts, and all present and future cash balances from time to time credited to any of the Deposit Accounts, and all proceeds of any and all of the foregoing.

Accordingly, we ask that you confirm your agreement as follows:

1. Customer's Directions. Until you have received instructions from the Lender to the contrary, the Customer shall be entitled to present items drawn on and otherwise to withdraw or direct the disposition of funds from the Deposit Accounts; provided, however, that the Customer may not close any Deposit Account, without the Lender's prior written consent.

2. Lender's Rights. Notwithstanding the foregoing or any separate agreement that the Customer may have with the Lender, the Lender shall be entitled at any time to give you instructions as to the withdrawal or disposition of any funds from time to time credited to any or all of the Deposit Accounts, or as to any other matters relating to the Deposit Accounts or any of the other Collateral, without the Customer's further consent. You hereby agree to comply with any such instructions without any further consent from the Customer. Such instructions may include the giving of stop payment orders for any items being presented to any Deposit Account for payment. You shall be fully entitled to rely upon such instructions from the Lender, even if such instructions are contrary to any instructions or demands that the Customer may give to you. The Customer confirms that you are to follow instructions from the Lender even if the result of following such instructions from the Lender is that you dishonor items presented for payment from a Deposit Account. The Customer further confirms that you shall have no liability to the Customer for wrongful dishonor of any such items in following such instructions from the Lender. You shall have no duty to inquire or determine whether the Customer's obligations to the Lender are in default or whether the Lender is entitled, under any separate agreement between the Customer and the Lender, to give any such instructions. The Customer further agrees to be responsible for your customary charges and to indemnify you from, and to hold you harmless against, any loss, cost or expense that you may sustain or incur in acting upon instructions from the Lender, or which you believe in good faith to be instructions from the Lender.

3. Waiver of Setoff. You agree not to exercise any right of recoupment or set-off, or to assert any banker's lien, security interest or other lien on, against or in any of the Deposit Accounts or other Collateral on account of any credit or other obligation owed to you by the Customer or any other person, or otherwise, provided that you shall have the right, from time to time, to debit the Deposit Accounts for any of your customary charges in

maintaining the Deposit Accounts or for reimbursement for the reversal of any provisional credits granted by you to the Deposit Accounts, to the extent, in each case, that the Customer has not separately paid or reimbursed you for any of the foregoing.

4. Statements. You agree to furnish to the Lender, at its address indicated below, copies of all customary deposit account statements and other information relating to the Deposit Accounts that you send to the Customer.

5. Governing Law; Other Agreements. This agreement shall be governed by the internal law of the State of California. You represent and warrant to the Lender that the account agreement between you and the Customer relating to the establishment and general operation of the Deposit Accounts provides that the laws of the State of govern the Deposit Accounts and secured transactions relating thereto, and you agree not to amend that account agreement to provide that the laws of another jurisdiction will so govern. In addition, you represent and warrant, to the Lender that you have not entered into, and you agree not to enter, into any agreement with any other person by which you are obligated to comply with instructions from that personas to the disposition of funds from any of the Deposit Accounts or other dealings with any of the Collateral.

6. General. This agreement us sets forth in full all of the representations and agreements of the parties with respect to the subject matter hereof and supersede all prior discussions, oral representations, oral agreements and oral understandings between the parties with respect to the subject matter hereof. This agreement shall control over any conflicting agreement between you and the Customer. This agreement may not be modified or amended, nor may any rights hereunder be waived, except in a writing signed by the parties hereto. In the event of any litigation between the parties based upon, arising out of, or relating to this agreement, the prevailing party shall be entitled to recover its reasonable costs and expenses (including without limitation reasonable attorneys' fees) from the nonprevailing party. The parties agree to cooperate fully with each other and take such further actions and execute such further documents from time to time as may be reasonably necessary to carry out the purposes of this agreement.

Sincerely yours,

Lender:	Customer:
SILICON VALLEY BANK	DIGIRAD CORPORATION
By _____	By */s/ Gary JG Atkinson*
Title _____	Title Chief Financial Officer

Address: _____	Address: 9350 Trade Place
_____	San Diego CA 92126-6334
Attn: _____	Attn: Gary Atkinson

Accepted and Agreed:

MERRILL LYNCH

By _____
Title _____

Silicon Valley Bank

Amendment to Loan Documents

Borrower: Digirad Corporation

Date: March 28, 2002

THIS AMENDMENT TO LOAN DOCUMENTS is entered into between Silicon Valley Bank ("Silicon") and the borrower named above ("Borrower").

The Parties agree to amend the Loan and Security Agreement between them, dated July 31, 2001 (as otherwise amended, if at all, the "Loan Agreement"), as follows, effective as of the date hereof. (Capitalized terms used but not defined in this Amendment shall have the meanings set forth in the Loan Agreement.)

1. Modified Cash Management Sublimit. Section 1.6 of the Loan Agreement is hereby amended to read as follows:

1.6 Cash Management Services and Reserves. Borrower may use up to *** of Loans available hereunder for Silicon's Cash Management Services (as defined below), including, merchant services, business credit card, ACH and other services identified in the cash management services agreement related to such service (the "Cash Management Services") but excluding ACH payroll cash management services. Silicon may, in its sole discretion, reserve against Loans which would otherwise be available hereunder such sums as Silicon shall determine in connection with the Cash Management Services, and Silicon may charge to Borrower's Loan account, any amounts that may become due or owing to Silicon in connection with the Cash Management Services. Borrower agrees to execute and deliver to Silicon all standard form applications and agreements of Silicon in connection with the Cash Management Services, and, without limiting any of the terms of such applications and agreements, Borrower will pay all standard fees

and charges of Silicon in connection with the Cash Management Services. The Cash Management Services shall terminate on the Maturity Date.

2. Modified Credit Limit. Section 1 of the Schedule to Loan and Security Agreement is hereby amended to read as follows:

1. CREDIT LIMIT
(Section 1.1): An amount equal to the sum of 1, 2 and 3 below:

1. Revolving Loans. An amount not to exceed the lesser of a total of $4,300,000 at any one time outstanding (the "Maximum Credit Limit"), or the sum of (a) and (b) below:

(a) 85% (the "Percentage Advance Rate") of the amount of Borrower's Eligible Receivables (as defined in Section 8 above), plus

(b) an amount not to exceed the lesser of:

(1) 35% of the value of Borrower's Eligible Inventory (as defined in Section 8 above), calculated at the lower of cost or market value and determined on a first-in, first-out basis, or

(2) 50% of the amount of Borrower's Eligible Receivables (as defined in Section 8 above), or

(3) $500,000.

The foregoing Percentage Advance Rate is typically based on the quality of the Receivables and attendant Dilution as follows: up to 85% Percentage Advance Rate with 5% Dilution; up to 80% Percentage Advance Rate with Dilution over 5% but less than 10%; up to 75% Percentage Advance Rate when Dilution is over 10% but less than 15%. If Dilution exceeds 15%, a reserve is established for the dilution factor rounded up to the nearest whole number then multiplied by a factor of up to 75%.

As used above, "Dilution" means all deductions from Receivables by Account Debtors of Borrower, other than those arising from payment thereof, and includes without limitation deductions arising from advertising and other allowances, credit memos, returns, bad debts, and all other deductions, as determined by Silicon's audit and for such period as Silicon shall determine. Changes in the Percentage Advance Rate based on Dilution shall go into effect when Silicon has determined the amount of the Dilution and given written notice to the Borrower of the change in the Percentage Advance Rate. If, as a result of a decrease in the

Percentage Advance Rate, the total Loans and other Obligations exceed the Credit Limit, the Borrower shall pay the excess to Silicon in accordance with the terms of this Agreement.

Moreover, prior to any increase in the Percentage Advance Rate going into effect, the delinquency rate with respect to the Borrower's Receivables must be satisfactory to Silicon in its sole discretion.

Cash Management Sublimit
(Section 1.6): See Section 1.6 above;

plus

2. Payroll Cash Management Services Loans. Borrower has executed a cash management services agreement pursuant to which, in part, Borrower may utilize ACH payroll cash management services up to an amount of $350,000 (the "Payroll Cash Management Services Line"). Upon Silicon's receipt of an ACH payroll service charge ("Payroll Charge"), if Borrower's operating account does not have sufficient funds to pay such Payroll Charge and if Silicon is obligated to pay such Payroll Charge, then Silicon will make such payment(s) and any such payments by Silicon shall constitute Obligations under this Agreement. Borrower agrees to execute and deliver to Silicon all standard form applications and agreements of Silicon in connection with the Payroll Cash Management Services Line, and, without limiting any of the terms of such applications and agreements, Borrower will pay all standard fees and charges of Silicon in connection with the Payroll Cash Management Services Line. The Payroll Cash Management Services Line shall terminate on the Maturity Date;

plus

3. Cash Secured Letter of Credit. $205,000. Silicon previously issued for the account of Borrower a Standby Letter of Credit in the amount of $205,000 (the "Standby Letter of Credit"), which Standby Letter of Credit is secured by a certificate of deposit

pledged to Silicon on Silicon's standard form documentation.

3. Modified Minimum Tangible Net Worth Financial Covenant. The Minimum Tangible Net Worth Financial Covenant set forth in Section 5 of the Schedule to Loan and Security Agreement is hereby amended in its entirety to read as follows:

"Minimum Tangible Net Worth:	Borrower shall maintain, at the Borrower level only and not consolidated with any subsidiaries, a Tangible Net Worth of not less than $500,000, plus 50% of the total consideration received by Borrower after March 1, 2002, in consideration for the issuance by Borrower of its equity securities and subordinated debt securities, effective on the date such consideration is received, plus 50% of Borrower's year to date net income as of the end of the applicable reporting period.; and Borrower shall maintain, on a consolidated basis, a Tangible Net Worth of not less than $1,000,000, plus 50% of the total consideration received by Borrower after March 1, 2002, in consideration for the issuance by Borrower of its equity securities and subordinated debt securities, effective on the date such consideration is received, plus 50% of Borrower's year to date net income as of the end of the applicable reporting period."

4. Covenant Regarding Banking Relationship. Subclause (1) of Section 9 of the Schedule to Loan and Security Agreement is hereby amended to read as follows:

> **"(1) Banking Relationship.** Borrower shall at all times maintain its primary banking relationship with Silicon. Without limiting the generality of the foregoing, Borrower shall, at all times, maintain not less than *** of its total cash and investments on deposit with Silicon.

5. Fee. As consideration for Silicon entering into this Amendment, Borrower shall concurrently pay Silicon a fee in the amount of $7,500, which shall be non-refundable and in addition to all interest and other fees payable to Silicon under the Loan Documents. Silicon is authorized to charge said fee to Borrower's loan account.

6. Representations True. Borrower represents and warrants to Silicon that all representations and warranties set forth in the Loan Agreement, as amended hereby, are true and correct.

***Portions of this page have been omitted pursuant to a request for Confidential Treatment and filed separately with the Commission.

7. General Provisions. This Amendment, the Loan Agreement, any prior written amendments to the Loan Agreement signed by Silicon and Borrower, and the other written documents and agreements between Silicon and Borrower set forth in full all of the representations and agreements of the parties with respect to the subject matter hereof and supersede all prior discussions, representations, agreements and understandings between the parties with respect to the subject hereof. Except as herein expressly amended, all of the terms and provisions of the Loan Agreement, and all other documents and agreements between Silicon and Borrower shall continue in full force and effect and the same are hereby ratified and confirmed.

Borrower:	**Silicon:**
DIGIRAD CORPORATION	**SILICON VALLEY BANK**
By *__/s/ Illegible__* President or Vice President	By *__/s/ Illegible__* Title Vice President and Regional Market Manager
By *__/s/ Illegible__* Secretary or Ass't Secretary	

Date: **August 29, 2002**

THIS AMENDMENT TO LOAN TO LOAN DOCUMENTS is entered into between Silicon Valley Bank ("Silicon") and the borrower named above ("Borrower").

The Parties agree to amend the Loan and Security Agreement between them, dated July 31, 2001 (as otherwise amended, if at all, the "Loan Agreement"), as follows, effective as of the date hereof. (Capitalized terms used but not defined in this Amendment shall have the meanings set forth in the Loan Agreement.)

1. Modified Definition of Eligible Receivables. Subclause (i) of the Minimum Eligibility Requirements set forth in the definition of Eligible Receivables in Section 8 of the Loan Agreement is hereby amended to read as follows:

(i) the Receivable must not be outstanding for more than 120 days from its invoice date,

2. Modified Credit Limit. Section 1 of the Schedule to Loan and Security Agreement is hereby amended to read as follows:

1. CREDIT LIMIT
(Section 1.1): An amount equal to the sum of 1, 2 and 3 below:

1. Revolving Loans. An amount not to exceed the lesser of a total of $5,000,000 at any one time outstanding (the "Maximum Credit Limit"), the sum of (a) and (b) below:

(a) **85%** (the "Percentage Advance Rate") of the amount of Borrower's Eligible Receivables (as defined in Section 8 above), plus

(b) an amount not to exceed the lesser of:

(1) **35%** of the value of Borrower's Eligible Inventory (as defined in Section 8 above), calculated at the lower of cost or market value and

determined on a first-in, first-out basis, or

(2) 50% of the amount of Borrower's Eligible Receivables (as defined in Section 8 above), or

(3) $650,000.

The foregoing Percentage Advance Rate is typically based on the quality of the Receivables and attendant Dilution as follows: up to 85% Percentage Advance Rate with 5% Dilution; up to 80% Percent Advance Rate with Dilution over 5% but less than 10%; up to 75% Percent Advance Rate when Dilution is over 10% but less than 15%. If Dilution exceeds 15%, a reserve is established for the dilution factor rounded up to the nearest whole number then multiplied by a factor of up to 75%.

As used above, "Dilution" means all deductions from Receivables by Account Debtors of Borrower, other than those arising from payment thereof, and includes without limitation deductions arising from advertising and other allowances, credit memos, returns, bad debts, and all other deductions, as determined by Silicon's audit and for such period as Silicon shall determine. Changes in the Percentage Advance Rate based on Dilution shall go into effect when Silicon has determined the amount of the Dilution and given written notice to the Borrower of the change in the Percentage Advance Rate. If, as a result of a decrease in the Percentage Advance Rate, the total Loans and other Obligations exceed the Credit Limit, the Borrower shall pay the excess to Silicon in accordance with the terms of this Agreement.

Moreover, prior to any increase in the Percentage Advance Rate going into effect, the delinquency rate with respect to the Borrower's Receivables must be satisfactory to Silicon in its sole discretion.

Cash Management Sublimit
Section 1.6): See Section 1.6 above;

plus

2. Payroll Case Management Services Loans. Borrower has executed a cash management services agreement pursuant to which in part, Borrower may utilize ACH payroll cash management services up to an amount of $350,000 (the "Payroll Cash Management Services Line"). Upon

Silicon's receipt of an ACH payroll service charge ("Payroll Charge"), if borrower's operating account does not have sufficient funds to pay such Payroll Charge and if Silicon is obligated to pay such Payroll Charge, then Silicon will make such payment(s) and any such payments by Silicon shall constitute Obligations under this Agreement. Borrower agrees to execute and deliver to Silicon all standard form applications and agreements of Silicon in connection with the Payroll Cash Management Services Line, and, without limiting any of the terms of such applications and agreements, Borrower will pay all standard fees and charges of Silicon in connection with the Payroll Cash Management Services Line. The Payroll Cash Management Services Line shall terminate on the Maturity Date;

plus

3. Cash Secured Letter of Credit. $205,000. Silicon previously issued for the account of Borrower a Standby Letter of Credit in the amount of $205,000 (the "Standby Letter of Credit"), which Standby Letter of Credit is secured by a certificate of deposit pledged to Silicon on Silicon's standard form documentation.

3. Modified Interest Rate. Section 2 of the Schedule to Loan and Security Agreement is hereby amended to read as follows:

2. INTEREST.

Interest Rate (Section 1.2):

A rate equal to the "Prime Rate" in effect from time to time, plus 1.75% per annum Interest shall be calculated on the basis of a 360-day year for the actua1 number of days

elapsed. "Prime Rate" means the rate announced from time to time by Silicon as its "prime rate;" it is a base rate upon which other rates charged by Silicon are based, and it is not necessarily the best rate available at Silicon. The interest rate applicable to the Obligations shall change on each date there is a change in the Prime Rate.

Minimum Monthly Interest (Section 1.2): $5,000 per month.

4. Modified Maturity Date. Section 4 of the Schedule to Loan and Security Agreement is hereby amended to read as follows:

4. MATURITY DATE (Section 6.1): **August 31, 2003**, subject to early termination as provided in Section 6.2 above.

5. Addition of Minimum Cash On Hand Financial Covenant. The following Minimum Cash on Hand Financial Covenant is hereby added to Section 5 of the Schedule to Loan and Security Agreement, entitled "5. FINANCIAL COVENANTS (Section 5.1)," and shall read as follows:

Minimum Cash on Hand: Borrower shall at all times maintain a minimum of unrestricted cash (and cash equivalents) in accounts maintained Silicon in an amount of not less than *** .

6. Guaranty of Obligations to Heller Financial. A new subclause (8) is hereby added to Section 9 of the Schedule to Loan and Security Agreement and shall read as follows:

(8) Guaranty of Obligations to Heller Financial. Borrower is hereby permitted to guaranty the obligations of its subsidiaries Orion Imaging Systems, Inc. ("Orion") and Digirad Imaging Systems, Inc. ("Digirad Imaging," together with Orion, the "Subsidiaries") to Heller Healthcare Finance, Inc. ("Heller"), and any successor to Heller, under any financing agreements between Heller and the Subsidiaries (the "Heller Documents"), but only on an unsecured basis and only up to an aggregate of *** for the Subsidiaries on a combined basis (the "Digirad Guaranty"); provided further that Heller and Silicon enter into an letter agreement or other applicable agreement, acceptable to each in its respective discretion, pursuant to which Heller agrees to provide Silicon

***Portions of this page have been omitted pursuant to a request for Confidential Treatment and filed separately with the Commission.

with written notice of any default under the Heller Documents.

7. Defaults Regarding Guaranteed Obligations. New subclause (r) and (s) are hereby added to Section 7.1 of the Loan Agreement, will immediately follow 7.1(q) and shall read as follows:

> ; or (r) without limiting any of the foregoing, any default or event of default occurs under the Heller Documents and Heller dec1ares such default, or provides notice (or is required to provide notice) to the Subsidiaries of the same; or (s) without limiting any of the foregoing, Heller takes any action against Borrower with respect to the Digirad Guaranty, including without limitation, seeking payment by Borrower of its obligations under the Digirad Guaranty.

8. Subsidiaries Guaranty. Within 60 days of the date hereof, Borrower shall have caused each of Orion and Digirad Imaging to execute and deliver to Silicon a Continuing Guaranty, in such form as Silicon shall specify, with respect to all of the Obligations, together with the consent, if any, required from Heller with respect to such Guaranty, and Borrower shall cause such Guaranty to continue in full force and effect throughout the term of this Loan Agreement and so long as any portion of the Obligations remains outstanding.

9. Fee. As consideration for Silicon entering into this Amendment, Borrower shall concurrently pay Silicon a fee in the amount of $25,000, which shall be non-refundable and in addition to all interest and other fees payable to Silicon under the Loan Documents. Silicon is authorized to charge said fee to Borrower's loan amount.

10. Representations True. Borrower represents and warrants to Silicon that all representations and warranties set forth in the Loan Agreement, as amended hereby, are true and correct.

11. General Provisions. This Amendment, the Loan Agreement, any prior written amendments to the Loan Agreement signed by Silicon and Borrower, and the other written documents and agreements between Silicon and Borrower set forth in full all of the representations and agreements of the parties with respect to the subject matter hereof and supersede all prior discussions, representations, agreements and understandings between the parties with respect to the subject hereof. Except as herein expressly amended, all of the terms

and provisions of the Loan Agreement, and all other documents and agreements between Silicon and Borrower shall continue in full force and effect and the same are hereby ratified and confirmed.

Borrower:	**Silicon:**
DIGIRAD CORPORATION	**SILICON VALLEY BANK**
By */s/ Illegible*	By */s/ Illegible*
President or Vice President	Title Vice President
By */s/ Illegible*	
Secretary or Ass't Secretary	

Silicon Valley Bank

Amendment to Loan Documents

Borrower: Digirad Corporation

Date: As of February 28, 2003

THIS AMENDMENT TO LOAN DOCUMENTS (this "Amendment") is entered into between SILICON VALLEY BANK ("Silicon") and the borrower named above (the "Borrower").

Silicon and Borrower hereby agree to amend the Loan and Security Agreement from between them, dated as of July 31, 2001 (as amended, restated, supplemented, or otherwise modified from time to time, the "Loan Agreement"), as follows, effective as of the date hereof. (Capitalized term used but not defined in this Amendment, shall have the meanings set forth in the Loan Agreement.):

1. Limited Waiver. Silicon and Borrower agree that solely Borrower's failure to comply with the Minimum Tangible Net Worth financial covenant (at the Borrower level only and not consolidated with any subsidiaries) set forth in Section 5 of the Schedule to the Loan Agreement for the month ended January 31, 2003 (the "Designated Default") hereby is waived. It is understood by the parties hereto, however, that the foregoing waiver of the Designated Default does not constitute a waiver of such financial covenant with respect to any other date or time period or of any other provision or term of the Loan Agreement or any related document, nor an agreement to waive in the future such covenant with respect to any other date or time period or any other provision or term of the Loan Agreement or any related document.

2. Modification of Minimum Tangible Net Worth Covenant. The portion of Section 5 of the Schedule to the Loan Agreement that currently reads:

> **"Minimum Tangible**

Net Worth:	Borrower shall maintain, at the Borrower level only and not consolidated with any subsidiaries, a Tangible Net Worth of not less than $500,000, plus 50% of the total consideration received by Borrower after March 1, 2002, in consideration for the issuance by Borrower of its equity securities and subordinated debt securities, effective on the date such consideration is received, plus 50% of Borrower's year to date net income as of the end of

the applicable reporting period.; and

Borrower shall maintain, on a consolidated basis, a Tangible Net Worth of not less than $1,000,000, plus 50% of the total consideration received by Borrower after March 1, 2002, in consideration for the issuance by Borrower of its equity securities and subordinated debt securities, effective on the date such consideration is received, plus 50% of Borrower's year to date net income as of the end of the applicable reporting period."

, hereby is amended and restated in its entirety to read as follows:

"Minimum Tangible Net Worth:	(a) Borrower shall maintain, at the Borrower level only and not consolidated with any subsidiaries, a Tangible Net Worth of not less than: (i) $6,100,000, for each month during the period commencing January 1, 2003 and ending on March 31, 2003; (ii) $5,100,000, for each month during the period commencing April 1, 2003 and ending on June 30, 2003; (iii) $5,000,000, for each month during the period commencing July 1, 2003 and ending on September 30, 2003; and (iv) $5,000,000, for each month during the period commencing October 1, 2003 and ending on December 31, 2003; and (b) Borrower shall maintain, on a consolidated basis, a Tangible Net Worth of not less than: (i) $6,900,000, for each month during the period commencing January 1, 2003 and ending on March 31, 2003; (ii) $6,700,000, for each month during the period commencing April 1, 2003 and ending on June 30, 2003; (iii) $6,900,000, for each month during the period commencing July 1, 2003 and ending on September 30, 2003; and (iv) $7,400,000, for each month during the period commencing October 1, 2003 and ending on December 31, 2003."

3. Fee. As consideration for Silicon entering into this Amendment, Borrower shall concurrently pay Silicon a fee in the amount of $5,000, which shall be non-refundable and in addition to all interest and other fees payable to Silicon under the Loan Documents. Silicon is authorized to charge said fee to Borrower's loan account.

4. Representations True. Borrower represents and warrants to Silicon that all

representations and warranties set forth in the Loan Agreement, as amended hereby, are true and correct.

5. General Provisions. This Amendment, the Loan Agreement, any prior written amendments to the Loan Agreement signed by Silicon and Borrower, and the other written documents and agreements between Silicon and Borrower, set forth in full all of the representations and agreements of the parties with respect to the subject matter hereof and supersede all prior discussions, representations, agreements and understandings between the parties with respect to the subject hereof. Except as herein expressly amended, all of the terms and provisions of the Loan Agreement, and all other documents and agreements between Silicon and Borrower, shall continue in full force and effect and the same (as so amended, if applicable) are hereby ratified and confirmed.

[remainder of page intentionally left blank; signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered as of the date first above written.

Borrower:	Silicon:
DIGIRAD CORPORATION	**SILICON VALLEY BANK**
By */s/ Illegible* President or Vice President	By */s/ Illegible* Title
By */s/ Illegible* Secretary or Ass't Secretary	

CONSENT

The undersigned acknowledges that the undersigned's consent to the foregoing Amendment is not required, but the undersigned nevertheless does hereby consent to the foregoing Amendment and to the documents and agreements referred to therein and to all future modifications and amendments thereto, and any termination thereof, and to any and all other present and future documents and agreements between or among the foregoing parties. Nothing herein shall in any way limit any of the terms or provisions of the guaranty of each of the undersigned in favor of Silicon relative to Borrower, which guaranty is hereby ratified and affirmed by each of the undersigned.

Digirad Imaging Solutions,
a Delaware corporation formerly

known as Orion Imaging Systems, Inc.

By *__/s/ Illegible__*
Title CFO

Digirad Imaging Systems, Inc.,
a Delaware corporation

By *__/s/ Illegible__*
Title CFO

Silicon Valley Bank

Amendment to Loan Documents

Borrower: **Digirad Corporation**

Date: **As of May 1, 2003**

THIS AMENDMENT TO LOAN DOCUMENTS (this "Amendment") is entered into between SILICON VALLEY BANK ("Silicon") and the borrower named above (the "Borrower").

Silicon and Borrower hereby agree to amend the Loan and Security Agreement between them, dated as of July 31, 2001 (as amended, restated, supplemented, or otherwise modified from time to time, the "Loan Agreement"), as follows, effective as of the date hereof. (Capitalized terms used but not defined in this Amendment, shall have the meanings set forth in the Loan Agreement):

1. Limited Consent. Anything in Section 6(9) of the Schedule to Loan Agreement to the contrary notwithstanding, Silicon hereby consents to the delivery by Borrower of the audited annual financial statements of Borrower for the fiscal year ended December 31, 2002 as soon as available after the 120th day after such year-end but in any event not later than May 31, 2003. It is understood by Borrower, however, that such consent does not constitute a waiver of any failure of Borrower to comply with Section 6(9) of the Schedule to the Loan Agreement in respect of the audited annual financial statements of Borrower for any other fiscal year, nor a waiver of any other provision or term of the Loan Agreement or any other Loan Document, nor an agreement to waive compliance, in the future, with Section 6(9) of the Schedule to the Loan Agreement in respect of the audited annual financial statements of Borrower for any other fiscal year, or any other provision or term of the Loan Agreement or any other Loan Document.

2. Fee. As consideration for Silicon entering into this Amendment, Borrower shall concurrently pay Silicon a fee in the amount of $1,000, which shall be non-refundable and in addition to all interest and other fees payable to Silicon under the Loan Documents. Silicon is authorized to charge said fee to Borrower's loan account.

3. Representations True. Borrower represents and warrants to Silicon that all representations and warranties set forth in the Loan Agreement, as amended hereby, are true and correct.

4. General Provisions. This Amendment, the Loan Agreement, any prior written amendments to the Loan Agreement signed by Silicon and Borrower, and the other written

documents and agreements between Silicon and Borrower, set forth in full all of the representations and agreements of the parties with respect to the subject matter hereof and supersede all prior discussions, representations, agreements and understandings between the parties with respect to the subject hereof. Except as herein expressly amended, all of the terms and provisions of the Loan Agreement, and all other documents and agreements between Silicon and Borrower, shall continue in full force and effect and the same (as so amended, if applicable) are hereby ratified and confirmed.

[remainder of page intentionally left blank; signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered as of the date rust above written.

Borrower:

DIGIRAD CORPORATION

By */s/ Illegible*
CFO

By */s/ Illegible*
Secretary or Ass't Secretary

Silicon:

SILICON VALLEY BANK

By _____
Title _____

CONSENT

The undersigned acknowledges that the undersigned's consent to the foregoing Amendment is not required, but the undersigned nevertheless does hereby consent to the foregoing Amendment and to the documents and agreements referred to therein and to all future modifications and amendments thereto, and any termination thereof, and to any and all other present and future documents and agreements between or among the foregoing parties. Nothing herein shall in any way limit any of the terms or provisions of the guaranty of each of the undersigned in favor of Silicon relative to Borrower, which guaranty is hereby ratified and affirmed by each of the undersigned.

Digirad Imaging Solutions,
a Delaware corporation formerly
known as Orion Imaging Systems, Inc.

By /s/ Illegible
Title CFO

Digirad Imaging Systems, Inc.,
a Delaware corporation

By */s/ Illegible*
Title CFO

Silicon Valley Bank

Amendment to Loan Documents

Borrower: Digirad Corporation

Date: August 27, 2003

THIS AMENDMENT TO LOAN DOCUMENTS (this "Amendment") is entered into between SILICON VALLEY BANK ("Silicon") and the borrower named above (the "Borrower").

Silicon and Borrower hereby agree to amend the Loan and Security Agreement between them, dated as of July 31, 2001 (as amended, restated, supplemented, or otherwise modified from time to time, the "Loan Agreement"), as follows, effective as of the date hereof. (Capitalized terms used but not defined in this Amendment, shall have the meanings set forth in the Loan Agreement):

1. Modification of Maturity Date. Section 4 of the Schedule to the Loan Agreement, which currently reads as follows:

4. MATURITY DATE
(Section 6.1): **August 31, 2003,** subject to early termination as provided in Section 6.2 above.

, hereby is amended and restated in its entirety to read as follows:

4. MATURITY DATE
(Section 6.1): **October 15, 2003,** subject to early termination as provided in Section 6.2 above.

2. Fee. As consideration for Silicon entering into this Amendment, Borrower shall concurrently pay Silicon a fee in the amount of $2,000, which shall be non-refundable and in addition to all interest and other fees payable to Silicon under the Loan Documents. Silicon is authorized to charge said fee(s) to Borrower's loan account.

3. Representations True. Borrower represents and warrants to Silicon that all representations and warranties set forth in the Loan Agreement, as amended hereby, are true and

correct.

4. General Provisions. This Amendment, the Loan Agreement, any prior written amendments to the Loan Agreement signed by Silicon and Borrower, and the other written documents and agreements between Silicon and Borrower, set forth in full all of the representations and agreements of the parties with respect to the subject matter hereof and supersede all prior discussions, representations, agreements and understandings between the parties with respect to the subject hereof. Except as herein expressly amended, all of the terms and provisions of the Loan Agreement, and all other documents and agreements between Silicon and Borrower, shall continue in full force and effect and the same (as so amended, if applicable) are hereby ratified and confirmed.

[remainder of page intentionally left blank; signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered as of the date first above written.

Borrower:	Silicon:
DIGIRAD CORPORATION	**SILICON VALLEY BANK**
By */s/ Illegible* CFO President or Vice President	By _____ Title _____
By Vera Pardee, General Counsel Secretary or Ass't Secretary	

CONSENT

The undersigned acknowledges that the undersigned's consent to the foregoing Amendment is not required, but the undersigned nevertheless does hereby consent to the foregoing Amendment and to the documents and agreements referred to therein and to all future modifications and amendments thereto, and any termination thereof, and to any and all other present and future documents and agreements between or among the foregoing parties. Nothing herein shall in any way limit any of the terms or provisions of the guaranty of each of the undersigned in favor of Silicon relative to Borrower, which guaranty is hereby ratified and affirmed by each of the undersigned.

Digirad Imaging Solutions,
a Delaware corporation formerly
known as Orion Imaging Systems, Inc.

By /s/ Illegible
Title CFO

Digirad Imaging Systems, Inc.,
a Delaware corporation

By */s/ Illegible*
Title CFO

Silicon Valley Bank

Amendment to Loan Documents

Borrower: Digirad Corporation

Date: **October 6, 2003**

THIS AMENDMENT TO LOAN DOCUMENTS (this "Amendment") is entered into between SILICON VALLEY BANK ("Silicon") and the borrower named above (the "Borrower").

Silicon and Borrower hereby agree to amend the Loan and Security Agreement between them, dated as of July 31, 2001 (as amended, restated, supplemented, or otherwise modified from time to time, the "Loan Agreement"), as follows, effective as of the date hereof. (Capitalized terms used but not defined in this Amendment, shall have the meanings set forth in the Loan Agreement.) :

1. Modification of Interest Rate. The portion of Section 3 of the Schedule to the Loan Agreement that currently reads as follows:

A rate equal to the "Prime Rate" in effect from time to time, plus **1.75%** per annum.

, hereby is amended and restated in its entirety to read as follows:

A rate equal to the "Prime Rate" in effect from time to time, plus 1.75% per annum; provided that the interest rate in effect on any day shall not be less than **5.75%** per annum.

2. Modification of Maturity Date. Section 4 of the Schedule to the Loan Agreement, which currently reads as follows:

4. MATURITY DATE
(Section 6.1): **October 15, 2003,** subject to early termination as provided in Section 6.2 above.

, hereby is amended and restated in its entirety to read as follows:

4. MATURITY DATE
(Section 6.1): **October 15, 2004,** subject to early termination as provided in Section 6.2 above.

3. Limited Waiver. Silicon and Borrower agree that solely Borrower's failure to comply with the Minimum Tangible Net Worth financial covenant (at the Borrower level only and not consolidated with any subsidiaries) set forth in Section 5 of the Schedule to the Loan Agreement for each of the months ended August 31, 2003 and September 30, 2003 (individually and collectively, the "Designated Default") hereby is waived. It is understood by the parties hereto, however, that the foregoing waiver of the Designated Default does not constitute a waiver of such financial covenant with respect to any other date or time period or of any other provision or term of the Loan Agreement or any related document, nor an agreement to waive in the future such covenant with respect to any other date or time period or any other provision or term of the Loan Agreement or any related document.

4. Modification of Minimum Tangible Net Worth Covenant. The portion of Section 5 of the Schedule to the Loan Agreement that currently reads:

"Minimum Tangible Net Worth:	(a) Borrower shall maintain, at the Borrower level only and not consolidated with any subsidiaries, a Tangible Net Worth of not less than: (i) $6,100,000, for each month during the period commencing January 1, 2003 and ending on March 31, 2003; (ii) $5,100,000, for each month during the period commencing April 1, 2003 and ending on June 30, 2003; (iii) $5,000,000, for each month during the period commencing July 1, 2003 and ending on September 30, 2003; and (iv) $5,000,000, for each month during the period commencing October 1, 2003 and ending on December 31, 2003; and (b) Borrower shall maintain, on a consolidated basis, a Tangible Net Worth of not less than: (i) $6,900,000, for each month during the period commencing January 1, 2003 and ending on March 31, 2003; (ii) $6,700,000, for each month during the period commencing April 1, 2003 and ending on June 30, 2003; (iii) $6,900,000, for each month during the period commencing July 1, 2003 and ending on September 30, 2003; and (iv) $7,400,000, for each month during the period commencing October 1, 2003 and ending on December 31, 2003."

, hereby is amended and restated in its entirety to read as follows:

"Minimum Tangible Net Worth:	(a) Borrower shall maintain, at the Borrower level only and not consolidated with any subsidiaries, a Tangible Net Worth of not less than $3,800,000, for each month during the period from and after October 1, 2003; and (b) Borrower shall maintain, on a consolidated basis, a Tangible Net Worth of not less than $6,500,000, for each month during the period from and after October 1, 2003."

5. Financial Reporting. The following hereby is added to the end of Section 6 of the Schedule to Loan Agreement (following, and separate from, the last numbered item therein):

With respect to the financial statements and operating budgets referred to above in this Section 6 of the Schedule, Borrower agrees to deliver such financial statements and operating budgets prepared on both a consolidated and consolidating basis, and agrees that no subsidiary of Borrower will have a fiscal year different from that of Borrower.

6. Compliance with Heller Financing Documents. Borrower hereby covenants and agrees to deliver to Silicon, no later than October 31, 2003, evidence (satisfactory to Silicon in its good faith business judgment) that all existing events of default or potential events of default under the financing documents between Heller Healthcare Finance, Inc., on the one hand, and one or more of Borrower and its subsidiaries, on the other hand, (including without limitation all such events of default that are in existence as of the date of this Amendment) have been waived (which waiver shall be on terms and conditions (if any) satisfactory to Silicon in its good faith business judgment), as of the date of Borrower's delivery of such evidence.

7. Fee. As consideration for Silicon entering into this Amendment, Borrower shall concurrently pay Silicon a fee in the amount of $25,000, which shall be non-refundable and in addition to all interest and other fees payable to Silicon under the Loan Documents. Silicon is authorized to charge said fee(s) to Borrower's loan account.

8. Representations True. Borrower represents and warrants to Silicon that all representations and warranties set forth in the Loan Agreement, as amended hereby, are true and correct.

9. General Provisions. This Amendment, the Loan Agreement, any prior written amendments to the Loan Agreement signed by Silicon and Borrower, and the other written documents and agreements between Silicon and Borrower, set forth in full all of the representations and agreements of the parties with respect to the subject matter hereof and supersede all prior discussions, representations, agreements and understandings between the

parties with respect to the subject hereof. Except as herein expressly amended, all of the terms and provisions of the Loan Agreement, and all other documents and agreements between Silicon and Borrower, shall continue in full force and effect and the same (as so amended, if applicable) are hereby ratified and confirmed.

[remainder of page intentionally left blank; signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered as of the date first above written.

Borrower:

DIGIRAD CORPORATION

By *__/s/ Illegible__*
CFO

By Vera Pardee, Illegible
Secretary or Ass't Secretary

Silicon:

SILICON VALLEY BANK

By _____
Title _____

CONSENT

The undersigned acknowledges that the undersigned's consent to the foregoing Amendment is not required, but the undersigned nevertheless does hereby consent to the foregoing Amendment and to the documents and agreements referred to therein and to all future modifications and amendments thereto, and any termination thereof, and to any and all other present and future documents and agreements between or among the foregoing parties. Nothing herein shall in any way limit any of the terms or provisions of the guaranty of each of the undersigned in favor of Silicon relative to Borrower, which guaranty is hereby ratified and affirmed by each of the undersigned.

Digirad Imaging Solutions,
a Delaware corporation formerly
known as Orion Imaging Systems, Inc.

By /s/ Illegible
Title CFO

Digirad Imaging Systems, Inc.,
a Delaware corporation

By *__/s/ Illegible__*
Title CFO

EXHIBIT 10.7

IRREVOCABLE STANDBY LETTER OF CREDIT NO. SVBSF002535

THE ATTACHED LETTER OF CREDIT
ISSUED ON YOUR BEHALF IS SECURED
BY YOUR PLEDGED CERTIFICATE OF
DEPOSIT NO. 8800058434

DATE: NOVEMBER 05, 2003

BENEFICIARY:
REMEC, INC.
3790 VIA DE LA VALLE
SAN DIEGO, CALIFORNIA 92014
ATTENTION: VP, GENERAL COUNSEL

AS "SUBLESSOR"

APPLICANT:
DIGIRAD CORPORATION
9350 TRADE PLACE
SAN DIEGO, CALIFORNIA 92126-6334

AS "SUBLESSEE"

AMOUNT: US$120,000.00 (U.S. DOLLARS ONE HUNDRED TWENTY THOUSAND EXACTLY)

EXPIRATION DATE: FEBRUARY 28, 2005

LOCATION: SANTA CLARA, CALIFORNIA

LADIES AND GENTLEMEN:

WE HEREBY ESTABLISH OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. SVBSF002535 IN YOUR FAVOR. THIS LETTER OF CREDIT IS AVAILABLE BY SIGHT PAYMENT WITH OURSELVES ONLY AGAINST PRESENTATION AT THIS OFFICE OF THE FOLLOWING DOCUMENTS:

1. THE ORIGINAL OF THIS LETTER OF CREDIT AND ALL AMENDMENT (S), IF ANY.
2. YOUR SIGHT DRAFT DRAWN ON US IN THE FORM ATTACHED HERETO AS EXHIBIT "A".
3. A DATED CERTIFICATION PURPORTEDLY SIGNED BY AN AUTHORIZED OFFICER OR REPRESENTATIVE OF THE BENEFICIARY, FOLLOWED BY ITS PRINTED NAME AND DESIGNATED TITLE, STATING EITHER OF THE FOLLOWING:
(A.) "AN EVENT OF DEFAULT (AS DEFINED IN THE SUBLEASE) HAS OCCURRED BY DIGIRAD CORPORATION AS SUBLESSEE UNDER THAT CERTAIN SUBLEASE AGREEMENT BY AND BETWEEN SUBLESSEE, AND BENEFICIARY, AS SUBLESSOR. FURTHERMORE THIS IS TO CERTIFY THAT: (I) SUBLESSOR HAS GIVEN WRITTEN NOTICE TO SUBLESSEE TO CURE THE DEFAULT AND SUCH DEFAULT HAS NOT BEEN CURED UP TO THIS DATE OF DRAWING UNDER SILICON VALLEY BANK IRREVOCABLE STANDBY LETTER OF CREDIT NO. SVBSF002535 AND ALL APPLICABLE CURE PERIOD (IF ANY) HAS EXPIRED; AND (II) THE TERMS AND CONDITIONS OF THE SUBLEASE AUTHORIZE SUBLESSOR TO NOW DRAW DOWN ON THE LETTER OF CREDIT."
OR
(B.) "WITHIN THIRTY (30) DAYS PRIOR TO THE EXPIRY DATE OF SILICON VALLEY BANK IRREVOCABLE STANDBY LETTER OF CREDIT NO. SVBSF002535 BENEFICIARY HAS NOT RECEIVED AN EXTENSION AT LEAST FOR ONE YEAR TO THE EXISTING LETTER OF CREDIT OR A REPLACEMENT LETTER OF CREDIT SATISFACTORY TO THE BENEFICIARY."

PARTIAL DRAWS ARE ALLOWED.

THIS LETTER OF CREDIT MUST ACCOMPANY ANY DRAWINGS HEREUNDER FOR ENDORSEMENT OF THE DRAWING AMOUNT AND WILL BE RETURNED TO THE BENEFICIARY UNLESS IT IS FULLY UTILIZED.

THE AMOUNT OF THIS LETTER OF CREDIT SHALL BE AUTOMATICALLY DECREASED WITHOUT AMENDMENT(S) TO THE NEW AGGREGATE AMOUNT(S) ON THE EFFECTIVE DATES BELOW, PROVIDED THAT THE AVAILABLE AMOUNT EXCEEDS THE AGGREGATE AMOUNT(S) LISTED BELOW AND ISSUING BANK HAS NOT RECEIVED WRITTEN NOTICE FROM AN AUTHORIZED REPRESENTATIVE OF THE BENEFICIARY BY OVERNIGHT COURIER AT LEAST TEN (10) BUSINESS DAYS PRIOR TO ANY SCHEDULED REDUCTION DATE, ADVISING ISSUING BANK THAT APPLICANT IS IN DEFAULT AND ANY SCHEDULED DECREASE IN THE AGGREGATE AVAILABLE AMOUNT SHOULD NOT BE EFFECTED:

EFFECTIVE DATE NEW AGGREGATE AMOUNT

NOVEMBER 1, 2005 US$60,000.00

THIS LETTER OF CREDIT SHALL BE AUTOMATICALLY EXTENDED FOR AN ADDITIONAL PERIOD OF ONE YEAR, WITHOUT AMENDMENT, FROM THE PRESENT OR EACH FUTURE EXPIRATION DATE UNLESS AT LEAST THIRTY (30) DAYS PRIOR TO THE THEN CURRENT EXPIRATION DATE WE NOTIFY YOU BY REGISTERED MAIL/OVERNIGHT COURIER SERVICE AT THE ABOVE ADDRESS THAT THIS LETTER OF CREDIT WILL NOT BE EXTENDED BEYOND THE CURRENT EXPIRATION DATE. BUT IN ANY EVENT THIS LETTER OF CREDIT WILL NOT BE EXTENDED BEYOND FEBRUARY 28, 2010 WHICH SHALL BE THE FINAL EXPIRATION DATE OF THIS LETTER OF CREDIT.

THE DATE THIS LETTER OF CREDIT EXPIRES IN ACCORDANCE WITH THE ABOVE PROVISION IS THE "FINAL EXPIRY DATE". UPON THE OCCURRENCE OF THE FINAL EXPIRY DATE THIS LETTER OF CREDIT SHALL FULLY AND FINALLY EXPIRE AND NO PRESENTATIONS MADE UNDER THIS LETTER OF CREDIT AFTER SUCH DATE WILL BE HONORED.

THIS LETTER OF CREDIT MAY ONLY BE TRANSFERRED IN ITS ENTIRETY BY THE ISSUING BANK UPON OUR RECEIPT OF THE ATTACHED EXHIBIT "B" DULY COMPLETED AND EXECUTED BY THE BENEFICIARY AND ACCOMPANIED BY THE ORIGINAL LETTER OF CREDIT AND ALL AMENDMENT(S), IF ANY, TOGETHER WITH THE PAYMENT OF OUR TRANSFER FEE OF 1/4 OF 1% OF THE TRANSFER AMOUNT (MINIMUM US$250.00). TRANSFER FEES ARE PAYABLE BY WHICHEVER PARTY IS REQUIRING THE TRANSFER.

DRAFT(S) AND DOCUMENTS MUST INDICATE THE NUMBER AND DATE OF THIS LETTER OF CREDIT.

DOCUMENTS MUST BE DELIVERED TO US DURING REGULAR BUSINESS HOURS ON A BUSINESS DAY OR FORWARDED TO US BY OVERNIGHT DELIVERY SERVICE TO: SILICON VALLEY BANK, 3003 TASMAN DRIVE, 2ND FLOOR, MAIL SORT HF210, SANTA CLARA, CALIFORNIA 95054, ATTENTION: INTERNATIONAL DIVISION - STANDBY LETTER OF CREDIT NEGOTIATION DEPARTMENT (THE "BANK'S OFFICE).

AS USED HEREIN, THE TERM "BUSINESS DAY" MEANS A DAY ON WHICH WE ARE OPEN AT OUR ABOVE ADDRESS IN SANTA CLARA, CALIFORNIA TO CONDUCT OUR LETTER OF CREDIT BUSINESS. NOTWITHSTANDING ANY PROVISION TO THE CONTRARY IN THE UCP (AS HEREINAFTER DEFINED), IF THE EXPIRY DATE OR THE FINAL EXPIRY DATE IS NOT A BUSINESS DAY THEN SUCH DATE SHALL BE AUTOMATICALLY EXTENDED TO THE NEXT SUCCEEDING DATE WHICH IS A BUSINESS DAY.

WE HEREBY ENGAGE WITH YOU THAT DRAFT(S) DRAWN AND/OR DOCUMENTS PRESENTED UNDER AND IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT

SHALL BE DULY HONORED UPON PRESENTATION TO SILICON VALLEY BANK, IF PRESENTED ON OR BEFORE THE EXPIRATION DATE OF THIS CREDIT.

THIS LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (1993 REVISION), INTERNATIONAL CHAMBER OF COMMERCE, PUBLICATION NO. 500 (THE "UCP").

SILICON VALLEY BANK,

/s/ Edward D. Machado
AUTHORIZED SIGNATURE
Edward D. Machado

/s/ Alice E. Daiuz
AUTHORIZED SIGNATURE
Alice E. Daiuz

IRREVOCABLE STANDBY LETTER OF CREDIT NO.

DATE:

EXHIBIT "A"

SIGHT DRAFT/BILL OF EXCHANGE

DATE: _____ REF. NO. _____

AT SIGHT OF THIS BILL OF EXCHANGE

PAY TO THE ORDER OF _____ US$ _____
US DOLLARS _____

"DRAWN UNDER **SILICON VALLEY BANK**, SANTA CLARA, CALIFORNIA, IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER NO. **SVBSF** _____ DATED _____ _____, 2003"

TO: **SILICON VALLEY BANK**
3003 TASMAN DRIVE

_____
(INSERT NAME OF BENEFICIARY)

SANTA CLARA, CA 95054

Authorized Signature

GUIDELINES TO PREPARE THE SIGHT DRAFT OR BILL OF EXCHANGE:

1. DATE INSERT ISSUANCE DATE OF DRAFT OR BILL OF EXCHANGE.
2. REF. NO. INSERT YOUR REFERENCE NUMBER IF ANY.
3. PAY TO THE ORDER OF: INSERT NAME OF BENEFICIARY
4. US$ INSERT AMOUNT OF DRAWING IN NUMERALS/FIGURES.
5. US DOLLARS INSERT AMOUNT OF DRAWING IN WORDS.
6. LETTER OF CREDIT NUMBER INSERT THE LAST DIGITS OF OUR STANDBY L/C NUMBER THAT PERTAINS TO THE DRAWING.
7. DATED INSERT THE ISSUANCE DATE OF OUR STANDBY L/C.

NOTE: BENEFICIARY SHOULD ENDORSE THE BACK OF THE SIGHT DRAFT OR BILL OF EXCHANGE AS YOU WOULD A CHECK.

IF YOU NEED FURTHER ASSISTANCE IN COMPLETING THIS SIGHT DRAFT OR BILL OF EXCHANGE, PLEASE CALL OUR L/C PAYMENT SECTION AND ASK FOR: **ALICE DALUZ** AT (408) 654-7120.

SILICON VALLEY BANK

EXHIBIT "B"

DATE:

TO: SILICON VALLEY BANK
3003 TASMAN DRIVE
SANTA CLARA, CA 95054
ATTN: INTERNATIONAL DIVISION
STANDBY LETTERS OF CREDIT

RE:
STANDBY LETTER OF CREDIT
NO. SVB ISSUED BY
SILICON VALLEY BANK, SANTA CLARA
L/C AMOUNT: _____

GENTLEMEN:

FOR VALUE RECEIVED, THE UNDERSIGNED BENEFICIARY HEREBY IRREVOCABLY TRANSFERS TO:

(NAME OF TRANSFEREE)
(ADDRESS)

ALL RIGHTS OF THE UNDERSIGNED BENEFICIARY TO DRAW UNDER THE ABOVE LETTER OF CREDIT UP TO ITS AVAILABLE AMOUNT AS SHOWN ABOVE AS OF THE DATE OF THIS TRANSFER.

BY THIS TRANSFER, ALL RIGHTS OF THE UNDERSIGNED BENEFICIARY IN SUCH LETTER OF CREDIT ARE TRANSFERRED TO THE TRANSFEREE. TRANSFEREE SHALL HAVE THE SOLE RIGHTS AS BENEFICIARY THEREOF, INCLUDING SOLE RIGHTS RELATING TO ANY AMENDMENTS, WHETHER INCREASES OR EXTENSIONS OR OTHER AMENDMENTS, AND WHETHER NOW EXISTING OR HEREAFTER MADE. ALL AMENDMENTS ARE TO BE ADVISED DIRECT TO THE TRANSFEREE WITHOUT NECESSITY OF ANY CONSENT OF OR NOTICE TO THE UNDERSIGNED BENEFICIARY.

THE ORIGINAL OF SUCH LETTER OF CREDIT IS RETURNED HEREWITH, AND WE ASK YOU TO ENDORSE THE TRANSFER ON THE REVERSE THEREOF, AND FORWARD IT DIRECTLY TO THE TRANSFEREE WITH YOUR CUSTOMARY NOTICE OF TRANSFER.

SINCERELY,

_____
(BENEFICIARY'S NAME)

_____
SIGNATURE OF BENEFICIARY

SIGNATURE AUTHENTICATED

_____
(NAME OF BANK) / (NOTARY PUBLIC)

_____
AUTHORIZED SIGNATURE

EXHIBIT 10.11

00080103

LEASE NUMBER

MARCAP CORPORATION

Area Code 312/641-0233 Facsimile Machine: 312/425-2441

EQUIPMENT LEASE

Lease date as of OCTOBER 1, 2000 between MARCAP CORPORATION a Delaware corporation having its principal office at 20 North Wacker Drive, Suite 2150, Chicago, Illinois 60606 ("Leassor"), and ORION IMAGING SYSTEMS, INC., a CORPORATION organized under the laws of the state of DELAWARE and having its principal office at 9350 TRADE PLACE, SAN DIEGO, CA 92126 ("Lessee").

1. LEASE. Subject to the terms hereof, Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the equipment ("Equipment") described on Equipment Schedules ("Schedule or Schedules") to this Lease executed from time to time by Lessor and Lessee, all of which are made a part hereof. For the purposes of this Equipment Lease, each Schedule relating to one or more items of Equipment shall be deemed to incorporate all of the terms and provisions of this Equipment Lease.

2. TERMS. The term of Lease for the items of Equipment included on any Schedule shall commence on the date such items are accepted by Lessee ("Commencement Date") and, subject to the terms hereof, shall continue for the period of time set forth on said Schedule.

3. RENTAL. Lessee shall pay to Lessor total rentals for the Equipment described on each Schedule equal to the product of (i) the periodic rent payment and (ii) the number of rent payments specified on such Schedule. Except as otherwise set forth in the Schedule, rent payments shall be due each month in advance beginning with the Commencement Date. All rent shall be paid to Lessor at 20 North Wacker Drive, Suite 2720, Chicago, Illinois 60606, or at such other address as Lessor may specify, without notice or demand and without abatement, deduction or setoff. Rent and any other payments due hereunder not made within ten (10) days of the due date shall be subject to a service charge equal to the lesser of (i) five percent (5%) of the overdue payment, (ii) the maximum amount permitted by law.

4. ERRORS IN ESTIMATED COST; OMISSIONS. The rentals set forth on each Schedule are based upon the estimated costs of Equipment and shall be adjusted proportionately if the actual cost differs from the estimate. Lessee authorizes Lessor, with respect to each Schedule, (i) to so adjust the rent once the actual cost is known, (ii) to insert on such Schedule serial numbers or other more specific descriptions of the Equipment. "Cost, as used herein, means the total cost of the Lessor of purchasing and causing delivery and installation of the Equipment, including taxes, transportation and any other charges paid by Lessor.

5. DISCLAIMER OF WARRANTIES. LESSEE ACKNOWLEDGES THAT: (i) THE EQUIPMENT IS A SIZE, DESIGN, CAPACITY AND MANUFACTURE SELECTED BY LESSEE; (ii) LESSOR IS NOT A MANUFACTURER NOR A DEALER IN PROPERTY OF SUCH KIND; (iii) NEITHER THE VENDOR NOR ANY REPRESENTATIVE OF ANY VENDOR OR ANY MANUFACTURER OF THE EQUIPMENT IS AN AGENT OF LESSOR OR AUTHORIZED TO WAIVE OR ALTER ANY TERM OR CONDITION OF THIS LEASE; AND (iv) LESSOR HAS NOT MADE AND DOES NOT HEREBY MAKE ANY WARRANTY, EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, THE CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF THE EQUIPMENT. No defect in, unfitness of or an inability of Lessee to use any Equipment, howsoever caused, shall relieve Lessee from its obligation to pay rentals or from any other obligations. Lessor shall not in any event be responsible to Lessee or anyone claiming through Lessee for any damages, direct, consequential, or otherwise, resulting from the deliver, installation, use, operation, performance or condition of any Equipment, or any delay or failure by any vendor in delivering and/or installing any Equipment or performing any service for Lessee. Nothing herein shall be construed as depriving Lessee of whatever rights Lessee may have against any vendor of the Equipment, and Lessor hereby authorizes Lessee at Lessee's expense, to assert for Lessor's account during the term of this Lease, all of Lessor's rights under any warranty or promise

given by a vendor and relating to Equipment so long as Lessee is not in default hereunder. Lessee may communicate with the vendor supplying the Equipment and receive an accurate and complete statement of those promises and warranties, including any disclaimers and limitations of them or of remedies.

6. ACCEPTANCE. Lessee shall inspect each item of Equipment within 72 hours after delivery or, where applicable, installation thereof. Unless Lessee within such period of time gives written notice to Lessor and the vendor specifying any defect in or other proper objection to an item of Equipment, it shall be conclusively presumed between Lessor and Lessee that Lessee has fully inspected such Equipment, that such Equipment is in full compliance with the terms of this Lease, that such Equipment is in good condition (operating and otherwise) and repair, and that Lessee has unconditionally accepted such Equipment. Forthwith after acceptance of each item of Equipment, Lessee shall execute and deliver to Lessor, Lessor's form of Delivery and Acceptance Acknowledgment.

7. MAINTENANCE. Lessee will maintain the Equipment in good operating order and appearance, protect the Equipment from deterioration, other than normal wear and tear, and will not use the Equipment for any purpose other than that for which it was designed. Lessee will maintain in force a standard maintenance contract with the manufacturer of the Equipment or a party authorized by the manufacturer and acceptable to the Lessor to perform such maintenance (the "maintenance contractor"), and upon request will provide Lessor with a complete copy of that contract. Lessee's obligation regarding the maintenance of the Equipment will include, without limitation, all maintenance and repair recommended or advised either by the manufacturer, government agencies, or regulatory bodies and those commonly performed by prudent business and/or professional practice. Upon return of the Equipment, Lessee will provide a letter from the maintenance contractor certifying that the Equipment meets all current specifications of the manufacturer, is in compliance with all pertinent governmental or regulatory rules, laws or guidelines for its operation or use, is qualified for the maintenance contractor's standard maintenance contract and is at then current release, revision and engineering change levels. Lessee agrees to pay any costs necessary for the manufacturer to bring the Equipment to then current release, revision and engineering change levels, and to re-certify the Equipment as eligible for such maintenance contract at the expiration of the lease term. The lease term will continue upon the same terms and conditions until recertification has been obtained.

8. SECURITY DEPOSIT. The security deposit, if any, specified on each Schedule shall secure the full and faithful performance of all agreements, obligations and warranties of Lessee hereunder, including, but not limited to, the agreement of Lessee to return the Equipment upon the expiration or earlier termination of this Lease in the condition specified. Such deposit shall not excuse the performance of any such agreements, obligations or warranties of Lessee or prevent a default. Lessor may (but need not) apply all or any part of such security deposit toward discharge of any overdue obligation of Lessee. To the extent any portion of the security deposit is so applied by Lessor, Lessee shall forthwith restore the security deposit to its full amount. If upon the expiration of the term of this Lease, Lessee shall have fully complied with all of its agreements, obligations and warranties hereunder, any unused portion of such security deposit will be refunded to Lessee. Lessor shall not be obligated to pay interest on the security deposit.

9. INSURANCE. Lessee, at its expense, shall keep the Equipment insured against all risk of loss or physical damage (including comprehensive boiler and machinery coverage and earthquake and flood insurance if Lessor determines that such events could occur in the area where the Equipment is located) for the full replacement value of the Equipment. Lessee shall further provide and maintain comprehensive public liability insurance against claims for bodily injury, death and/or property damage arising out of the use, ownership, possession, operation or condition of the Equipment, together with such other insurance as may be required by law or reasonably requested by Lessor. All said insurance shall name both Lessor and Lessee as parties insured and shall be in form and amount and with insurers satisfaction to Lessor, and Lessee shall furnish to Lessor certified copies or certificates of the policies of such insurance and each renewal thereof. Each insurer must agree, by endorsement upon the policy or policies issued by it, that it will give Lessor not less than 30 days written notice before such policy or policies are canceled or altered, and, under the physical damage insurance, (a) that losses shall be payable solely to Lessor, and (b) that no act or omission of Lessee or any of its officers, agents, employees or representatives shall affect the obligation of the insurer to pay the full

amount of any loss. Lessee hereby irrevocably authorizes Lessor to make, settle and adjust claims under such policy or policies of physical damage insurance and to endorse the name of Lessee on any check or other item of payment for the proceeds thereof; it being understood, however, that unless otherwise directed in writing by Lessor, Lessee shall make and file timely all claims under such policy or policies, and unless Lessee is then in default, Lessee may, with the prior written approval of Lessor (which will not be unreasonably withheld) settle and adjust all such claims.

10. RISK OF LOSS. As used herein, the term "Event of Loss" shall mean any of the following events with respect to any item of the Equipment: (a) the actual or constructive total loss of such Equipment; (b) the loss, theft, or destruction of such Equipment or damage to such Equipment to such extent as shall make repair thereof uneconomical or shall render such Equipment permanently unfit for normal use for any reason whatsoever; or (c) the condemnation, confiscation, requisition, seizure, forfeiture or other taking of title to or use of such Equipment. Except as expressly hereinafter provided, the occurrence of any Event of Loss or other damage to or deprivation of use of any Equipment, howsoever occasioned, shall not reduce or impair any obligation of Lessee hereunder, and, without limiting the foregoing, shall not result in any abatement or reduction in rentals whatsoever. Lessee hereby assumes and shall bear, from the time such risk passes to Lessor from the vendor until expiration or termination of the lease term and return of the Equipment to Lessor, the entire risk of any Event of Loss or any other damage to or deprivation of use of the Equipment, howsoever occasioned.

Upon the occurrence of any damage to any Equipment not constituting an Event of Loss, Lessee, at its sole cost and expense, shall promptly repair and restore such Equipment so as to return such Equipment to substantially the same condition as existed prior to the date of such occurrence (assuming such Equipment was then in the condition required by this Lease). Provided that Lessee is not then in default hereunder, upon receipt of evidence reasonably satisfactory to Lessor of completion of such repairs and restoration in accordance with the terms of this Lease, Lessor will apply any insurance proceeds received by Lessor on account of such occurrence to the cost of such repairs and restoration; it being understood, however, that if at such time Lessee shall be in default hereunder, Lessor may, at its option, retain any part or all of such proceeds and apply same to any obligations of Lessee to Lessor.

Upon the occurrence of an Event of Loss, Lessee shall immediately notify Lessor in writing of such occurrence, fully informing Lessor of all details with respect thereto, and, on or before the first to occur of (i) 30 days after the date upon which such Event of Loss occurs, or (ii) 5 days after the date on which either Lessor shall receive any proceeds of insurance in respect of such Event of Loss or any underwriter of insurance on the Equipment shall advise Lessor or Lessee in writing that it disclaims liability in respect of such Event of Loss, if such be the case, Lessee shall pay to Lessor an amount equal to the sum of (a) accrued but unpaid rent and other sums due under the Lease plus (b) the present value of all future rentals reserved in the Lease and contracted to be paid over the unexpired term discounted at 6% per annum plus (c) the present value of Lessor's residual value of the Equipment as of the expiration of the term discounted at 6% per annum (the "Stipulated Loss Value"), less the amount of any insurance proceeds or condemnation or similar award by a governmental authority then actually received by Lessor on account of such Event of Loss. No delay or refusal by any insurance company or governmental authority in making payment on account of such Event of Loss shall extend or otherwise affect the obligations of Lessee hereunder. Lessee shall continue to pay all rentals and other sums due hereunder up to and including the date upon which the Stipulated Loss Value is actually received in full by Lessor, whereupon this Lease with respect to such Equipment shall terminate and all rentals reserved hereunder with respect to such Equipment from the date such payment is received in full by Lessor, as aforesaid, to what would have been the end of the term hereof, shall abate. No such payment shall affect Lessee's obligations with

respect to Equipment not subject to an Event of Loss. After receipt by Lessor of all sums due hereunder, Lessor will upon request of Lessee transfer its interest, if any, in such Equipment to Lessee on an "as is, where is" basis and without warranty by or recourse to Lessor.

The proceeds of insurance in respect of an Event of Loss and any award on account of any condemnation or other taking of any Equipment by a governmental authority shall be paid to Lessor and applied by Lessor against the obligation of Lessee to pay Lessor the Stipulated Loss Value of such Equipment (or, if Lessee shall have first paid the Stipulated Loss Value in full, shall be

promptly paid over by Lessor to Lessee up to the extent necessary to reimburse Lessee for payment of the Stipulated Loss Value); and the balance, if any, of such proceeds or award shall be paid over promptly by Lessor to Lessee if Lessee is not then in default hereunder. If Lessee is in default hereunder, Lessor may at its option apply all or any part of such proceeds to any obligations of Lessee to Lessor.

11. INDEMNITY. Lessee shall indemnify and hold Lessor harmless from and against any and all claims, costs, expenses (including attorneys' fees) losses and liabilities of whatsoever nature arising out of or occasioned by or in connection with (i) the purchase, delivery, installation, acceptance, rejection, ownership, leasing, possession, use, operation, condition or return of any Equipment including, without limitation, any claim alleging latent or other defects and any claim arising out of strict liability in tort, or (ii) any breach by Lessee of any of its obligations hereunder.

12. TAXES. Lessee shall pay as and when due, and indemnify and hold Lessor harmless from and against, all present and future taxes and other governmental charges (including, without limitation, sales, use, leasing, stamp and personal property taxes and license and registration fees), and amounts in lieu of such taxes and charges and any penalties and interest on any of the foregoing, imposed, levied or based upon, in connection with or as a result of the purchase, ownership, delivery, leasing, possession or use of the Equipment or the exercise by Lessee of any option hereunder, or based upon or measured by rentals or receipts with respect to this Lease. Lessee shall not, however, be obligated to pay any taxes on or measured by Lessor's net income. Lessee authorizes Lessor to add to the amount of each rental installment any sales or leasing tax that may be imposed on or measured by such rental installment. Notwithstanding the foregoing, unless and until Lessor notifies Lessee in writing to the contrary, Lessor will file all personal property tax returns covering the Equipment and will pay the personal property taxes levied or assessed thereon. Lessee, upon receipt of invoice, will promptly pay to Lessor, as additional rent, an amount equal to the lessor of (i) property taxes so paid by Lessor plus the cost incurred by Lessor if Lessor elects to contest such tax, or (ii) the original property tax assessment.

If not thereby subjecting the Equipment to forfeiture or sale, Lessee may at its expense contest in good faith, by appropriate proceedings, the validity and/or amount of any of the taxes or other governmental charges described above, provided that prior written notice of any such contest shall be given to Lessor together with security satisfactory to Lessor for the payment of the amount being contested and provided further that Lessor has not contested such tax.

13. NOTICE; INSPECTION. Lessee shall give Lessor immediate notice of any attachment, judicial process, lien, encumbrance or claim affecting the Equipment, any loss or damage to the Equipment or material accident or casualty arising out of the use, operation or condition of the Equipment, and any change in the residency or principal place of business of Lessee or any guarantor of Lessee's obligations hereunder ("Guarantor"). Lessor may, (but need not), for the purpose of inspection, at all reasonable business hours, enter from time to time upon any premises where the Equipment is located.

14. ALTERATIONS. Lessee shall not make or permit any changes or alterations to the Equipment without Lessor's prior written consent. All accessories, replacements, parts and substitutions for or which are added or attached to the Equipment shall become the property of Lessor, included in the definition of Equipment, and subject to this Lease.

15. TITLE. Lessee shall keep the Equipment free from all liens and encumbrances. Lessee shall execute and/or furnish to Lessor any further instruments and assurances reasonably requested from time to time by Lessor to protect its interest, and shall otherwise cooperate to defend the title of Lessor and to maintain the status of the Equipment as personal property, including, without limitation, the execution of financing statements and the furnishing of waivers with respect to rights in the Equipment from the owners and mortgagees of the real estate on which the Equipment is or will be located. Lessor may file or record any such financing statements, waivers or with instruments in order to protect its interest. Lessee hereby irrevocably authorizes Lessor to sign on behalf of Lessee and file in the appropriate public office (s) UCC financing statements covering the Equipment and all proceeds thereof.

16. QUIET ENJOYMENT. So long as Lessee shall not be in default and fully performs all of its obligations hereunder, Lessor will not interfere with the quiet use and enjoyment of the Equipment by Lessee.

17. RETURN. Upon the expiration or earlier termination of this Lease with respect to any Equipment, Lessee, pursuant to Lessor's instructions and at Lessee's expense, will have the Equipment deinstalled, audited by the maintenance contractor or another party acceptable to Lessor, packed and

shipped fully insured and in accordance with the manufacturer's instructions to the destination specified by Lessor; provided, however, that Lessor shall reimburse Lessee for any freight charges incurred at the direction of Lessor which may exceed the charges for shipment from the location of such Equipment to Lessor's place of business in Chicago, Illinois. All returned Equipment shall be in good operating order and appearance, other than normal wear and tear and shall comply with all of the requirements of Section 7. Lessee shall pay Lessor, on demand, the cost of any repairs normal wear and tear and shall comply with all of the requirements of Section 7. Lessee shall pay to Lessor, on demand, the cost of any repairs necessary to place the Equipment in the condition required by this Lease.

18. LESSEE'S WARRANTIES. In order to induce Lessor to enter into this Lease and to lease the Equipment to Lessee hereunder, Lessee represents and warrants that: (a) Disclosures. (i) its applications, financial statements and reports which have been submitted by it to Lessor are, and all information hereafter furnished by Lessee to Lessor will be, true and correct in all material respects as of the date submitted; (ii) as of the date hereof, the date of any Schedule and any lease Commencement Date, there has been no material adverse change in any matter stated in such applications, financial statements and reports; (iii) there are no known contingent liabilities or liabilities for taxes of Lessee which are not

reflected in said financial statements or reports; and, (iv) none of the foregoing omit or omitted to state any material fact. (b) Organization. Lessee is an organizational entity described on the signature page hereof and is duly organized, validly existing and in good standing in the state first set forth above and duly qualified to do business in each state in which the Equipment will be located. (c) Power and Authority. Lessee has full power, authority and legal right to execute, deliver and perform this Lease and any Schedule thereto, and the execution, delivery and performance hereof has been duly authorized by all necessary action of Lessee. (d) Enforceability. This Lease and any Schedule or other document executed in connection therewith has been duly executed and delivered by Lessee and constitutes a legal, valid and binding obligation of Lessee enforceable in accordance with its terms. (e) Consents and Permits. The execution, delivery and performance of this Lease does not require any approval or consent of any stockholders, partners or proprietors or of any trustee or holders of any indebtedness or obligations of Lessee, and will not contravene any law, regulation, judgment or decree applicable to Lessee, or the certificate of organization, partnership agreement or by-laws of Lessee, or contravene the provisions of, or constitute a default under, or result in the creation of any lien upon any property of Lessee under any mortgage, instrument or other agreement to which Lessee is a party or by which Lessee or its assets may be bound or affected. No authorization, approval, license, filing or registration with any court or governmental agency or instrumentality except as disclosed is necessary in connection with the execution, delivery, performance, validity and enforceability of this Lease. (f) Title to Equipment. On each Commencement Date, Lessor shall have good and marketable title to the items of Equipment being subjected to this Lease on such date, free and clear of all liens created by or through Lessee.

19. ASSIGNMENT. Lessee hereby consents to any assignment by Lessor and any reassignment of this Lease or rents hereunder with or without notice. Lessee agrees that the rights of any assignee shall not be subject to any defense, setoff or counterclaim that Lessee may have against Lessor, and that any such assignee shall have all of Lessor's rights hereunder, but none of Lessor's obligations. Neither this Lease nor any of Lessee's rights hereunder shall be assignable by Lessee, either by its own act or by operation of law, without the prior written consent of Lessor, and any such attempted assignment shall be void. Lessee further agrees it will not, without the prior written consent of Lessor, allow the Equipment to be used by persons other than employees of Lessee, or rent or sublet any Equipment to others or relocate any Equipment from the premises where originally installed.

20. LESSOR'S RIGHT TO TERMINATE. Without limiting the rights of Lessor in the event of a default by Lessee, Lessor shall at any time prior to acceptance of any Equipment have the right to terminate this Lease with respect to such Equipment if (a) there shall be an adverse change in Lessee's or any Guarantor's financial position or credit standing, or (b) Lessor otherwise in good faith deems itself insecure, or (c) such Equipment is not for any reason delivered to Lessee within 90 days or accepted by Lessee within 30 days after any estimated delivery date thereof specified in the Schedule describing such Equipment, or (d) Lessee rejects any Equipment in accordance with Paragraph 6 hereof. Upon any termination by Lessor pursuant to this Paragraph, Lessee shall forthwith reimburse to Lessor all sums paid

by Lessor with respect to such Equipment and pay to Lessor all other sums then due hereunder; whereupon, if Lessee is not then in default and has then fully performed all of its obligations hereunder, Lessor will, upon request of Lessee, transfer to Lessee without warranty or recourse any rights that Lessor may then have with respect to such Equipment.

21. RIGHT TO PERFORM OBLIGATIONS. If Lessee shall fail to make any payment or perform any act or obligation required of Lessee hereunder, Lessor may (but need not) at any time thereafter make such payment or perform such act or obligation at the expense of Lessee. Any expense so incurred by Lessor shall constitute additional rental hereunder payable by Lessee to Lessor upon demand with interest at the overdue rate, as hereinafter defined.

22. EVENTS OF DEFAULT. An event of default shall occur hereunder if the owner(s) of Lessee sell or otherwise transfer their controlling interest in Lessee or if Lessee (i) fails to pay any installment of rent or other payment required hereunder when due and such failure shall continue for more than five (5) days; or (ii) attempts to or does remove from the premises, sell, transfer, encumber, part with possession of, or sublet any item of Equipment; or (iii) breaches or shall have breached any representation or warranty made or given by Lessee or Guarantor in this Lease or in any other document furnished to Lessor in connection herewith, or any such representation or warranty shall be untrue or, by reason of failure to state a material fact or otherwise, shall be misleading; or (iv) fails to perform or observe any other covenant, condition or agreement to be performed or observed by it hereunder, and such failure or breach shall continue unremedied for a period of thirty (30) days after the earlier of (a) the date on which Lessee obtains, or should have obtained knowledge of such failure or breach; or (b) the date on which notice thereof shall be given by Lessor to Lessee; or (v) shall become insolvent or bankrupt or make an assignment for the benefit of creditors or consent to the appointment of a trustee or receiver, or a trustee or receiver shall be appointed for a substantial part of its property without its consent, or bankruptcy or reorganization or insolvency proceeding shall be instituted by or against Lessee; or (vi) ceases doing business as a going concern.

23. REMEDIES UPON DEFAULT. In the event of any default by Lessee, Lessor may, at its option, do one or more of the following: (a) terminate this Lease and Lessee's rights hereunder; (b) proceed by appropriate court action to enforce performance of the terms of this Lease and/or recover damages for the breach hereof; (c) directly or by its agent, and without notice or liability or legal process, enter upon any promises where any Equipment may be located, take possession of such Equipment, and either store it on said premises without charge or remove the same (any damages occasioned by such taking of possession, storage or removal being waived by Lessee); and/or (d) declare as immediately due and payable and forthwith recover from Lessee, as liquidated damages and not as a penalty, an amount equal to the then aggregate Stipulated Loss Value of the Equipment.

In the event of any repossession of any Equipment by Lessor, Lessor may (but need not), without notice to Lessee, (A) hold or use all or part of such Equipment for any purpose whatsoever, (B) sell all or part of such Equipment at public or private sale for cash or on credit and/or (C) relet all or part of such Equipment upon such terms as Lessor may solely determine; in each case without any duty to account to Lessee except as herein expressly provided. After any repossession of Equipment by Lessor there shall be applied on account of the obligations of Lessee hereunder one of the following chosen at the option of Lessor: (x) the net proceeds actually received by Lessor from a sale of such Equipment, after deduction of all expenses of sale and other expenses recoverable by Lessor hereunder, or (y) the then "net fair market value" of such Equipment, as determined by an appraisal made by an independent appraiser selected by Lessor at Lessee's expense, taking into account a reasonable estimate of all expenses necessary to effect a sale and the other expenses recoverable by Lessor hereunder; and Lessee shall remain liable, subject to all provisions of this Lease, for the balance of the Stipulated Loss Value. No termination, repossession or other act by Lessor

after default shall relieve Lessee from any of its obligations hereunder. In addition to all other charges hereunder, Lessee shall pay to Lessor on demand all fees, costs and expenses incurred by Lessor as a result of such default, including without limitation, reasonable attorneys', appraisers' and brokers' fees and expenses and costs of removal, storage, transportation, insurance and disposition of the Equipment (except to the extent deducted from "net fair market value" or net proceeds of sale, as aforesaid). In the event that any court of competent jurisdiction determines that any provision of this Paragraph 23 is invalid or unenforceable in whole or in part, such

determination shall not prohibit Lessor from establishing its damages sustained as a result of any breach of this Lease in any action or proceeding in which Lessor seeks to recover such damages. The remedies provided herein in favor of Lessor shall not be exclusive, but shall be cumulative and in addition to all other remedies existing at law or in equity, any one or more of which may be exercised simultaneously or successively.

24. NON-WAIVER. Lessor's failure at any time to require strict performance by Lessee of any provision hereof shall not waive or diminish Lessor's rights thereafter to demand strict performance thereof or of any other provision. None of the provisions of this Lease shall be held to have been waived by any act or knowledge of Lessor, but only by a written instrument executed by Lessor and delivered to Lessee. Waiver of any default shall not be a waiver of any other or subsequent default,

25. COMMUNICATIONS. Any notice or other communication required or desired to be given hereunder shall be given in writing and shall be deemed to have been duly given and received when sent by confirmed express mail, when delivered by hand or by confirmed Federal Express delivery or other reputable overnight courier or by facsimile on the date actually received by the addressee and, when deposited in the United States mail, registered or certified, postage prepaid, return receipt requested, on the third business day succeeding the day on which such notice was mailed, addressed to the respective addresses of the parties set forth at the beginning of this Lease or any other address designated by notice served in accordance herewith.

26. FINANCIAL AND OTHER INFORMATION. Lessee shall furnish to Lessor such financial and other information about the condition and affairs of Lessee and any Guarantor and about the Equipment as Lessor may from time to time reasonably request.

27. HOLDING OVER. Any use of the Equipment beyond the initial lease term or any renewal thereof shall be deemed to be an extension of the Lease term on a month-to-month basis terminable by Lessor on ten (10) days notice to Lessee and all obligations of Lessee herein, including payment of rent shall continue during such holding over.

28. SURVIVAL. Lessee's indemnities shall survive the expiration or other termination of this Lease.

29. SERVICE OF PROCESS; VENUE. IN ORDER TO INDUCE LESSOR TO EXECUTE THIS LEASE, LESSEE HEREBY AGREES THAT ALL ACTIONS OR PROCEEDINGS ARISING DIRECTLY OR INDIRECTLY FROM THIS LEASE SHALL BE LITIGATED ONLY IN COURTS (STATE OR FEDERAL) HAVING SITUS IN THE STATE OF ILLINOIS AND THE COUNTY OF COOK UNLESS LESSOR, IN ITS SOLE DISCRETION, WAIVES THIS PROVISION. LESSEE HEREBY EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR PROCEEDING COMMENCED BY LESSOR IN ANY STATE OR FEDERAL COURT LOCATED WITHIN THE STATE OF ILLINOIS, HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS AND COMPLAINT OR OTHER PROCESS OR PAPERS ISSUED THEREIN, AND AGREES THAT SERVICE MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO LESSEE AS PROVIDED FOR IN PARAGRAPH 25 HEREOF, AND THAT SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED ON THE THIRD BUSINESS DAY AFTER THE SAME SHALL HAVE BEEN MAILED IN THIS MANNER. LESSEE WAIVES ANY CLAIM THAT ANY ACTION INSTITUTED BY LESSOR HEREUNDER IS IN AN INCONVENIENT FORUM OR AN IMPROPER FORUM BASED ON LACK OF VENUE. TO THE EXTENT PERMITTED BY LAW, LESSEE HEREBY WAIVES TRIAL BY JURY AND ANY RIGHT OF SETOFF OR COUNTERCLAIM IN ANY ACTION BETWEEN LESSOR AND LESSEE.

30. SECURITY INTEREST. To the extent that any of the transactions evidenced by Schedules are secured transactions, Lessee hereby grants to Lessor a security interest in the Equipment described on such Schedules as security for all Lessee's obligations and liabilities under the Lease and Lessee authorizes Lessor to disburse the purchase price of such Equipment directly to the vendor(s) thereof.

31. NON-CANCELABLE LEASE; UNCONDITIONAL OBLIGATIONS. THIS LEASE CANNOT BE CANCELED OR TERMINATED EXCEPT BY LESSOR AS EXPRESSLY PROVIDED FOR HEREIN. LESSEE AGREES THAT LESSEE'S OBLIGATION TO PAY ALL RENT AND PAY AND PERFORM ALL OTHER OBLIGATIONS HEREUNDER SHALL BE ABSOLUTE, IRREVOCABLE, UNCONDITIONAL AND INDEPENDENT AND SHALL BE PAID OR PERFORMED WITHOUT ABATEMENT, DEDUCTION OR OFFSET OF ANY KIND WHATSOEVER.

32. LESSEE WAIVERS. To the extent permitted by applicable law, Lessee hereby waives any and all rights and remedies conferred upon a Lessee by Sections 2A-508 through 2A-522 of the Uniform Commercial Code, including, without limitations, the right to (i) cancel this Lease; (ii) repudiate this Lease; (iii) reject this Lease; (iv) revoke acceptance of the Equipment; (v) recover damages from Lessor for any breach of warranty or any other reason; (vi) claim a security interest in any rejected property in Lessee's possession; (vii) deduct all or any part of claimed damages resulting from Lessor's default; (viii) accept partial delivery of the Equipment; (ix) "cover" by

making any purchase or lease of equipment in substitution of the Equipment; (x) recover any general, special, incidental or consequential damages from Lessor for any reason.

33. MISCELLANEOUS. Interest on any past due sums shall accrue at the rate of 1 1/2% per month, not to exceed the maximum rate permitted by law (the "overdue rate"). If any provision of this Lease or the application thereof is hereafter held invalid or unenforceable, the remainder of this Lease shall not be affected thereby, and to this end the provisions of this Lease are declared severable. Titles to Paragraphs shall not be considered in the interpretation of this Lease. This Lease (including the Schedules and any Riders hereto) sets forth the entire understanding

between the parties and may not be modified except in a writing signed by both parties. Except as may be expressly provided in any Schedule or Rider hereto, no options to purchase any of the Equipment or extend the term of this Lease with respect to any Equipment have been granted or agreed to by Lessor, and none shall be implied by this Lease. If there is more than one Lessee, the obligations of Lessee hereunder are joint and several. The necessary grammatical changes required to make the provisions hereof apply to corporations, partnerships and/or individuals, men or women, shall in all cases be assumed as though in each case fully expressed. Subject to the terms hereof, this Lease shall be binding upon and inure to the benefit of Lessor and Lessee and their respective personal representatives, successors and assigns. This Lease shall be governed in all respects by the laws of the State of Illinois. This Lease is submitted to Lessor for its acceptance or rejection and will not become effective until accepted by Lessor in writing at its office in Chicago, Illinois. The individuals executing this Lease on behalf of Lessee personally warrant that they are doing so pursuant to due authorization and that by so executing this Lease, Lessee is being bound hereby.

Dated as of the day and year first above written.

LESSEE: Orion Imaging Systems, Inc.

Legal Name

	/s/ Joyce Mehrberg	/s/ Len Shaw
Accepted by Lessor at Chicago, Illinois	Signature (1)	Signature (2)
MARCAP CORPORATION	Joyce Mehrberg	Len Shaw
	Printed Name	Printed Name
By: /s/ Illegible	CFO	VP FINANCE
- ------------------------	Title	Title

Witness: /s/ David M. Sheehan

Signature

David M. Sheehan

Printed Name

Schedule No. 01

To and hereby made a part of Equipment Lease No. 00080103 as of OCTOBER 1, 2000, between MARCAP CORPORATION ("Lessor") and ORION IMAGING SYSTEMS, INC. ("Lessee").

EQUIPMENT:	VENDOR:
(1) Digirad 2020tc Moblie Gamma Camera (1) Digirad SPECTour Chair	Digirad 9350 Trade Place San Diego, CA 92126-6334
(1) Ford E250 Van VIN #1FTNS24L1YHB77928	Kearny Mesa Ford 7303 Clairemont Mesa Blvd. San Diego, CA 92111
(1) Hot Lab Package (1) Ultimate Imaging Printer Package	Technology Imaging Services P.O. Box 3589 Youngstown, Ohio 44513
(1) Q4500, 115V, 60 Hz Treadmill	Quinton 3303 Monte Villa Parkway Bothell, WA 98021
Van Modifications	Ability Center 7151 Ronson Road, Suite B San Diego, CA 92111-l421

Original Location: 3223 Phoenixville Pike, Suite C, Malvern, PA 19355

Initial Term of Lease: Sixty-Three (63) Months

Rental: $1-3 = $0.00; 4-6=$5,000.00, 7-9=$7,500.00, 10-63=$7,649.73 per month, plus any applicable taxes

Number of Rental Payments: Sixty (60)

Advance Rental: $ covering

Security Deposit:

Estimated Total Cost of Equipment: $325,000.00 plus any applicable taxes

Additional Provisions:

1. PURCHASE OPTION: Provided that Lessee is not then in default under the Lease and has then fully performed all of its obligations hereunder, Lessee shall have the option at the expiration of the term to purchase all of the Equipment leased under this Schedule on an "as is, where is" basis, without warranties, express or implicit by Lessor, for a price (plus applicable taxes) of one dollar ($1.00).

2. RENT: All rentals provided for above are based upon like-term (60 month) Treasury Notes of 6.15% (the "base rate") as published in the Wall Street Journal. Any increase in like-term (60 month) treasury notes prior to commencement of the lease will increase the monthly payments correspondingly. At lease commencement, the payments will be fixed for the term of the lease.

Dated as of the day and year first above written.
Accepted by Lessor in Chicago Illinois

MARCAP CORPORATION

By: /s/ Illegible

Vice President

LESSEE: Orion Imaging Systems, Inc.
Legal Name

/s/ Joyce Mehrberg
Signature (1)

Joyce Mehrberg
Printed Name

CFO
Title

/s/ Len Shaw
Signature (2)

Len Shaw
Printed Name

VP Finance
Title

WITNESS: /s/ David Sheehan
Signature

David Sheehan

Printed Name

Schedule No. 02

To and hereby made a part of Equipment Lease No. 00080103 as of OCTOBER 1, 2000, between MARCAP CORPORATION ("Lessor") and ORION IMAGING SYSTEMS, INC. ("Lessee").

EQUIPMENT:	VENDOR:
(1) Digirad 2020tc Moblie Gamma Camera (1) Digirad SPECTour Chair	Digirad 9350 Trade Place San Diego, CA 92126-6334
(1) Ford E250 Van VIN #1FNTS24L0YHB56424	Kearny Mesa Ford 7303 Clairemont Mesa Blvd. San Diego, CA 92111
(1) Hot Lab Package (1) Ultimate Imaging Printer Package	Technology Imaging Services P.O. Box 3589 Youngstown, Ohio 44513
(1) Q4500, 115V, 60 Hz Treadmill	Quinton 3303 Monte Villa Parkway Bothell, WA 98021
Van Modifications	Ability Center 7151 Ronson Road, Suite B San Diego, CA 92111-l421

Original Location: 3223 Phoenixville Pike, Suite C, Malvern, PA 19355

Initial Term of Lease: Sixty-Three (63) Months

Rental: $1-3 = $0.00; 4-6=$5,000.00, 7-9=$7,500.00, 10-63=$7,649.73 per month, plus any applicable taxes

Number of Rental Payments: Sixty (60)

Advance Rental: $ covering

Security Deposit:

Estimated Total Cost of Equipment: $325,000.00 plus any applicable taxes

Additional Provisions:

1. PURCHASE OPTION: Provided that Lessee is not then in default under the Lease and has then fully performed all of its obligations hereunder, Lessee shall have the option at the expiration of the term to purchase all of the Equipment leased under this Schedule on an "as is, where is" basis, without warranties, express or implicit by Lessor, for a price (plus applicable taxes) of one dollar ($1.00).

2. RENT: All rentals provided for above are based upon like-term (60 month) Treasury Notes of 6.15% (the "base rate") as published in the Wall Street Journal. Any increase in like-term (60 month) treasury notes prior to commencement of the lease will increase the monthly payments correspondingly. At lease commencement, the payments will be fixed for the term of the lease.

Dated as of the day and year first above written.
Accepted by Lessor in Chicago Illinois

MARCAP CORPORATION

By: /s/ Illegible

Vice President

LESSEE: Orion Imaging Systems, Inc.

Legal Name

/s/ Joyce Mehrberg
Signature (1)

Joyce Mehrberg

/s/ Len Shaw
Signature (2)

Len Shaw

Printed Name	Printed Name
CFO	VP Finance
Title	Title

WITNESS: /s/ David Sheehan

Signature

David Sheehan

Printed Name

Schedule No. 03

To and hereby made a part of Equipment Lease No. 00080103 as of OCTOBER 1, 2000, between MARCAP CORPORATION ("Lessor") and ORION IMAGING SYSTEMS, INC. ("Lessee").

EQUIPMENT:	VENDOR:
(1) Digirad 2020tc Moblie Gamma Camera (1) Digirad SPECTour Chair	Digirad 9350 Trade Place San Diego, CA 92126-6334
(1) Ford E250 Van VIN #1FTNS24L8YHA89555	Kearny Mesa Ford 7303 Clairemont Mesa Blvd. San Diego, CA 92111
(1) Hot Lab Package (1) Ultimate Imaging Printer Package	Technology Imaging Services P.O. Box 3589 Youngstown, Ohio 44513
(1) Q4500, 115V, 60 Hz Treadmill	Quinton 3303 Monte Villa Parkway Bothell, WA 98021
Van Modifications	Ability Center 7151 Ronson Road, Suite B San Diego, CA 92111-l421

Original Location: 3223 Phoenixville Pike, Suite C, Malvern, PA 19355

Initial Term of Lease: Sixty-Three (63) Months

Rental: $1-3 = $0.00; 4-6=$5,000.00, 7-9=$7,500.00, 10-63=$7,649.73 per month, plus any applicable taxes

Number of Rental Payments: Sixty (60)

Advance Rental: $ covering

Security Deposit:

Estimated Total Cost of Equipment: $325,000.00 plus any applicable taxes

Additional Provisions:

1. PURCHASE OPTION: Provided that Lessee is not then in default under the Lease and has then fully performed all of its obligations hereunder, Lessee shall have the option at the expiration of the term to purchase all of the Equipment leased under this Schedule on an "as is, where is" basis, without warranties, express or implicit by Lessor, for a price (plus applicable taxes) of one dollar ($1.00).

2. RENT: All rentals provided for above are based upon like-term (60 month) Treasury Notes of 6.15% (the "base rate") as published in the Wall Street Journal. Any increase in like-term (60 month) treasury notes prior to commencement of the lease will increase the monthly payments correspondingly. At lease commencement, the payments will be fixed for the term of the lease.

Dated as of the day and year first above written.

Accepted by Lessor in Chicago Illinois

MARCAP CORPORATION

By: /s/ Illegible

Vice President

LESSEE: Orion Imaging Systems, Inc.

Legal Name

/s/ Joyce Mehrberg — Signature (1)

/s/ Len Shaw — Signature (2)

Joyce Mehrberg — Printed Name

Len Shaw — Printed Name

CFO — Title

VP Finance — Title

WITNESS: /s/ David Sheehan

Signature

David Sheehan

Printed Name

Schedule No. 04

To and hereby made a part of Equipment Lease No. 00080103 as of OCTOBER 1, 2000, between MARCAP CORPORATION ("Lessor") and ORION IMAGING SYSTEMS, INC. ("Lessee").

EQUIPMENT:	VENDOR:
(1) Digirad 2020tc Moblie Gamma Camera (1) Digirad SPECTour Chair	Digirad 9350 Trade Place San Diego, CA 92126-6334
(1) Ford E250 Van VIN #1FTNS24L6YHB78380	Kearny Mesa Ford 7303 Clairemont Mesa Blvd. San Diego, CA 92111
(1) Hot Lab Package (1) Ultimate Imaging Printer Package	Technology Imaging Services P.O. Box 3589 Youngstown, Ohio 44513
(1) Q4500, 115V, 60 Hz Treadmill	Quinton 3303 Monte Villa Parkway Bothell, WA 98021
Van Modifications	Ability Center 7151 Ronson Road, Suite B San Diego, CA 92111-l421

Original Location: 3223 Phoenixville Pike, Suite C, Malvern, PA 19355

Initial Term of Lease: Sixty-Three (63) Months

Rental: $1-3 = $0.00; 4-6=$5,000.00, 7-9=$7,500.00, 10-63=$7,649.73 per month, plus any applicable taxes

Number of Rental Payments: Sixty (60)

Advance Rental: $ covering

Security Deposit:

Estimated Total Cost of Equipment: $325,000.00 plus any applicable taxes

Additional Provisions:

1. PURCHASE OPTION: Provided that Lessee is not then in default under the Lease and has then fully performed all of its obligations hereunder, Lessee shall have the option at the expiration of the term to purchase all of the Equipment leased under this Schedule on an "as is, where is" basis, without warranties, express or implicit by Lessor, for a price (plus applicable

taxes) of one dollar ($1.00).

2. RENT: All rentals provided for above are based upon like-term (60 month) Treasury Notes of 6.15% (the "base rate") as published in the Wall Street Journal. Any increase in like-term (60 month) treasury notes prior to commencement of the lease will increase the monthly payments correspondingly. At lease commencement, the payments will be fixed for the term of the lease.

Dated as of the day and year first above written.
Accepted by Lessor in Chicago Illinois

MARCAP CORPORATION

By: /s/ Illegible

Vice President

LESSEE: Orion Imaging Systems, Inc.

Legal Name

/s/ Joyce Mehrberg — Signature (1)

/s/ Len Shaw — Signature (2)

Joyce Mehrberg — Printed Name

Len Shaw — Printed Name

CFO — Title

VP Finance — Title

WITNESS: /s/ David Sheehan

Signature

David Sheehan

Printed Name

Schedule No. 05

To and hereby made a part of Equipment Lease No. 00080103 as of OCTOBER 1, 2000, between MARCAP CORPORATION ("Lessor") and ORION IMAGING SYSTEMS, INC. ("Lessee").

EQUIPMENT:	VENDOR:
(1) Digirad 2020tc Moblie Gamma Camera (1) Digirad SPECTour Chair	Digirad 9350 Trade Place San Diego, CA 92126-6334
(1) Ford E250 Van VIN #1FTNS34L6YHB60879	Kearny Mesa Ford 7303 Clairemont Mesa Blvd. San Diego, CA 92111
(1) Hot Lab Package (1) Ultimate Imaging Printer Package	Technology Imaging Services P.O. Box 3589 Youngstown, Ohio 44513
(1) Q4500, 115V, 60 Hz Treadmill	Quinton 3303 Monte Villa Parkway Bothell, WA 98021
Van Modifications	Ability Center 7151 Ronson Road, Suite B San Diego, CA 92111-l421

Original Location: 3223 Phoenixville Pike, Suite C, Malvern, PA 19355

Initial Term of Lease: Sixty-Three (63) Months

Rental: $1-3 = $0.00; 4-6=$5,000.00, 7-9=$7,500.00, 10-63=$7,649.73 per month, plus any applicable taxes

Number of Rental Payments: Sixty (60)

Advance Rental: $ covering

Security Deposit:

Estimated Total Cost of Equipment: $325,000.00 plus any applicable taxes

Additional Provisions:

1. PURCHASE OPTION: Provided that Lessee is not then in default under the Lease and has then fully performed all of its obligations hereunder, Lessee shall have the option at the expiration of the term to purchase all of the Equipment leased under this Schedule on an "as is, where is" basis, without warranties, express or implicit by Lessor, for a price (plus applicable taxes) of one dollar ($1.00).

2. RENT: All rentals provided for above are based upon like-term (60 month) Treasury Notes of 6.15% (the "base rate") as published in the Wall Street Journal. Any increase in like-term (60 month) treasury notes prior to commencement of the lease will increase the monthly payments correspondingly. At lease commencement, the payments will be fixed for the term of the lease.

Dated as of the day and year first above written.
Accepted by Lessor in Chicago Illinois

MARCAP CORPORATION

By: /s/ Illegible

Vice President

LESSEE: Orion Imaging Systems, Inc.
Legal Name

/s/ Joyce Mehrberg
Signature (1)

/s/ Len Shaw
Signature (2)

Joyce Mehrberg
Printed Name

Len Shaw
Printed Name

CFO
Title

VP Finance
Title

WITNESS: /s/ David Sheehan
Signature

David Sheehan
Printed Name

Schedule No. 06

To and hereby made a part of Equipment Lease No. 00080103 as of OCTOBER 1, 2000, between MARCAP CORPORATION ("Lessor") and ORION IMAGING SYSTEMS, INC. ("Lessee").

EQUIPMENT:	VENDOR:
(1) Digirad 2020tc Moblie Gamma Camera (1) Digirad SPECTour Chair	Digirad 9350 Trade Place San Diego, CA 92126-6334
(1) Ford E250 Van VIN #1FTNS24L11HA08806	Kearny Mesa Ford 7303 Clairemont Mesa Blvd. San Diego, CA 92111
(1) Hot Lab Package (1) Ultimate Imaging Printer Package	Technology Imaging Services P.O. Box 3589 Youngstown, Ohio 44513
(1) Q4500, 115V, 60 Hz Treadmill	Quinton 3303 Monte Villa Parkway Bothell, WA 98021
Van Modifications	Ability Center 7151 Ronson Road, Suite B San Diego, CA 92111-l421

Original Location: 3223 Phoenixville Pike, Suite C, Malvern, PA 19355

Initial Term of Lease: Sixty-Three (63) Months

Rental: $1-3 = $0.00; 4-6=$5,000.00, 7-9=$7,500.00, 10-63=$7,649.73 per month, plus any applicable taxes

Number of Rental Payments: Sixty (60)

Advance Rental: $ covering

Security Deposit:

Estimated Total Cost of Equipment: $325,000.00 plus any applicable taxes

Additional Provisions:

1. PURCHASE OPTION: Provided that Lessee is not then in default under the Lease and has then fully performed all of its obligations hereunder, Lessee shall have the option at the expiration of the term to purchase all of the Equipment leased under this Schedule on an "as is, where is" basis, without warranties, express or implicit by Lessor, for a price (plus applicable taxes) of one dollar ($1.00).

2. RENT: All rentals provided for above are based upon like-term (60 month) Treasury Notes of 6.15% (the "base rate") as published in the Wall Street Journal. Any increase in like-term (60 month) treasury notes prior to commencement of the lease will increase the monthly payments correspondingly. At lease commencement, the payments will be fixed for the term of the lease.

Dated as of the day and year first above written.
Accepted by Lessor in Chicago Illinois

MARCAP CORPORATION

By: /s/ Illegible

Vice President

LESSEE: Orion Imaging Systems, Inc.

Legal Name

/s/ Joyce Mehrberg — Signature (1)

/s/ Len Shaw — Signature (2)

Joyce Mehrberg — Printed Name

Len Shaw — Printed Name

CFO — Title

VP Finance — Title

WITNESS: /s/ David Sheehan

Signature

David Sheehan

Printed Name

Schedule No. 07

To and hereby made a part of Equipment Lease No. 00080103 as of OCTOBER 1, 2000, between MARCAP CORPORATION ("Lessor") and ORION IMAGING SYSTEMS, INC. ("Lessee").

EQUIPMENT:	VENDOR:
(1) Digirad 2020tc Moblie Gamma Camera (1) Digirad SPECTour Chair	Digirad 9350 Trade Place San Diego, CA 92126-6334
(1) Ford E250 Van VIN #1FTNS24L21HA08832	Kearny Mesa Ford 7303 Clairemont Mesa Blvd. San Diego, CA 92111
(1) Hot Lab Package	Technology Imaging Services

(1) Ultimate Imaging Printer Package — P.O. Box 3589, Youngstown, Ohio 44513

(1) Q4500, 115V, 60 Hz Treadmill — Quinton, 3303 Monte Villa Parkway, Bothell, WA 98021

Van Modifications — Ability Center, 7151 Ronson Road, Suite B, San Diego, CA 92111-l421

Original Location: 3223 Phoenixville Pike, Suite C, Malvern, PA 19355

Initial Term of Lease: Sixty-Three (63) Months

Rental: $1-3 = $0.00; 4-6=$5,000.00, 7-9=$7,500.00, 10-63=$7,649.73 per month, plus any applicable taxes

Number of Rental Payments: Sixty (60)

Advance Rental: $ covering

Security Deposit:

Estimated Total Cost of Equipment: $325,000.00 plus any applicable taxes

Additional Provisions:

1. PURCHASE OPTION: Provided that Lessee is not then in default under the Lease and has then fully performed all of its obligations hereunder, Lessee shall have the option at the expiration of the term to purchase all of the Equipment leased under this Schedule on an "as is, where is" basis, without warranties, express or implicit by Lessor, for a price (plus applicable taxes) of one dollar ($1.00).

2. RENT: All rentals provided for above are based upon like-term (60 month) Treasury Notes of 6.15% (the "base rate") as published in the Wall Street Journal. Any increase in like-term (60 month) treasury notes prior to commencement of the lease will increase the monthly payments correspondingly. At lease commencement, the payments will be fixed for the term of the lease.

Dated as of the day and year first above written.
Accepted by Lessor in Chicago Illinois

MARCAP CORPORATION

By: /s/ Illegible
Vice President

LESSEE: Orion Imaging Systems, Inc.
Legal Name

/s/ Joyce Mehrberg — Signature (1)
/s/ Len Shaw — Signature (2)

Joyce Mehrberg — Printed Name
Len Shaw — Printed Name

CFO — Title
VP Finance — Title

WITNESS: /s/ David Sheehan
Signature

David Sheehan
Printed Name

Schedule No. 08

To and hereby made a part of Equipment Lease No. 00080103 as of OCTOBER 1, 2000, between MARCAP CORPORATION ("Lessor") and ORION IMAGING SYSTEMS, INC. ("Lessee").

EQUIPMENT: VENDOR:

(1) Digirad 2020tc Moblie Gamma Camera (1) Digirad SPECTour Chair	Digirad 9350 Trade Place San Diego, CA 92126-6334
(1) Ford E250 Van VIN #1FTNS24L6YHB49803	Kearny Mesa Ford 7303 Clairemont Mesa Blvd. San Diego, CA 92111
(1) Hot Lab Package (1) Ultimate Imaging Printer Package	Technology Imaging Services P.O. Box 3589 Youngstown, Ohio 44513
(1) Q4500, 115V, 60 Hz Treadmill	Quinton 3303 Monte Villa Parkway Bothell, WA 98021
Van Modifications	Ability Center 7151 Ronson Road, Suite B San Diego, CA 92111-l421

Original Location: 3223 Phoenixville Pike, Suite C, Malvern, PA 19355

Initial Term of Lease: Sixty-Three (63) Months

Rental: $1-3 = $0.00; 4-6=$5,000.00, 7-9=$7,500.00, 10-63=$7,649.73 per month, plus any applicable taxes

Number of Rental Payments: Sixty (60)

Advance Rental: $ covering

Security Deposit:

Estimated Total Cost of Equipment: $325,000.00 plus any applicable taxes

Additional Provisions:

1. PURCHASE OPTION: Provided that Lessee is not then in default under the Lease and has then fully performed all of its obligations hereunder, Lessee shall have the option at the expiration of the term to purchase all of the Equipment leased under this Schedule on an "as is, where is" basis, without warranties, express or implicit by Lessor, for a price (plus applicable taxes) of one dollar ($1.00).

2. RENT: All rentals provided for above are based upon like-term (60 month) Treasury Notes of 6.15% (the "base rate") as published in the Wall Street Journal. Any increase in like-term (60 month) treasury notes prior to commencement of the lease will increase the monthly payments correspondingly. At lease commencement, the payments will be fixed for the term of the lease.

Dated as of the day and year first above written.
Accepted by Lessor in Chicago Illinois

MARCAP CORPORATION

By: /s/ Illegible

Vice President

LESSEE: Orion Imaging Systems, Inc.
Legal Name

/s/ Joyce Mehrberg
Signature (1)

Joyce Mehrberg
Printed Name

CFO
Title

/s/ Len Shaw
Signature (2)

Len Shaw
Printed Name

VP Finance
Title

WITNESS: /s/ David Sheehan
Signature

David Sheehan
Printed Name

Schedule No. 09

To and hereby made a part of Equipment Lease No. 00080103 as of OCTOBER 1, 2000, between MARCAP CORPORATION ("Lessor") and ORION IMAGING SYSTEMS, INC. ("Lessee").

EQUIPMENT:	VENDOR:
(1) Digirad 2020tc Moblie Gamma Camera (1) Digirad SPECTour Chair	Digirad 9350 Trade Place San Diego, CA 92126-6334
(1) Ford E250 Van VIN #1FTNS24L2YHB57011	Kearny Mesa Ford 7303 Clairemont Mesa Blvd. San Diego, CA 92111
(1) Hot Lab Package (1) Ultimate Imaging Printer Package	Technology Imaging Services P.O. Box 3589 Youngstown, Ohio 44513
(1) Q4500, 115V, 60 Hz Treadmill	Quinton 3303 Monte Villa Parkway Bothell, WA 98021
Van Modifications	Ability Center 7151 Ronson Road, Suite B San Diego, CA 92111-l421

Original Location: 3223 Phoenixville Pike, Suite C, Malvern, PA 19355

Initial Term of Lease: Sixty-Three (63) Months

Rental: $1-3 = $0.00; 4-6=$5,000.00, 7-9=$7,500.00, 10-63=$7,649.73 per month, plus any applicable taxes

Number of Rental Payments: Sixty (60)

Advance Rental: $ covering

Security Deposit:

Estimated Total Cost of Equipment: $325,000.00 plus any applicable taxes

Additional Provisions:

1. PURCHASE OPTION: Provided that Lessee is not then in default under the Lease and has then fully performed all of its obligations hereunder, Lessee shall have the option at the expiration of the term to purchase all of the Equipment leased under this Schedule on an "as is, where is" basis, without warranties, express or implicit by Lessor, for a price (plus applicable taxes) of one dollar ($1.00).

2. RENT: All rentals provided for above are based upon like-term (60 month) Treasury Notes of 6.15% (the "base rate") as published in the Wall Street Journal. Any increase in like-term (60 month) treasury notes prior to commencement of the lease will increase the monthly payments correspondingly. At lease commencement, the payments will be fixed for the term of the lease.

Dated as of the day and year first above written.
Accepted by Lessor in Chicago Illinois

MARCAP CORPORATION

By: /s/ Illegible

Vice President

LESSEE: Orion Imaging Systems, Inc.
Legal Name

/s/ Joyce Mehrberg
Signature (1)

Joyce Mehrberg
Printed Name

CFO

/s/ Len Shaw
Signature (2)

Len Shaw
Printed Name

VP Finance

Title Title

WITNESS: /s/ David Sheehan
Signature

David Sheehan
Printed Name

Schedule No. 10

To and hereby made a part of Equipment Lease No. 00080103 as of OCTOBER 1, 2000, between MARCAP CORPORATION ("Lessor") and ORION IMAGING SYSTEMS, INC. ("Lessee").

EQUIPMENT:	VENDOR:
(1) Digirad 2020tc Moblie Gamma Camera (1) Digirad SPECTour Chair	Digirad 9350 Trade Place San Diego, CA 92126-6334
(1) Ford E250 Van VIN #1FTNS24L1YHB60921	Kearny Mesa Ford 7303 Clairemont Mesa Blvd. San Diego, CA 92111
(1) Hot Lab Package (1) Ultimate Imaging Printer Package	Technology Imaging Services P.O. Box 3589 Youngstown, Ohio 44513
(1) Q4500, 115V, 60 Hz Treadmill	Quinton 3303 Monte Villa Parkway Bothell, WA 98021
Van Modifications	Ability Center 7151 Ronson Road, Suite B San Diego, CA 92111-l421

Original Location: 3223 Phoenixville Pike, Suite C, Malvern, PA 19355

Initial Term of Lease: Sixty-Three (63) Months

Rental: $1-3 = $0.00; 4-6=$5,000.00, 7-9=$7,500.00, 10-63=$7,649.73 per month, plus any applicable taxes

Number of Rental Payments: Sixty (60)

Advance Rental: $ covering

Security Deposit:

Estimated Total Cost of Equipment: $325,000.00 plus any applicable taxes

Additional Provisions:

1. PURCHASE OPTION: Provided that Lessee is not then in default under the Lease and has then fully performed all of its obligations hereunder, Lessee shall have the option at the expiration of the term to purchase all of the Equipment leased under this Schedule on an "as is, where is" basis, without warranties, express or implicit by Lessor, for a price (plus applicable taxes) of one dollar ($1.00).

2. RENT: All rentals provided for above are based upon like-term (60 month) Treasury Notes of 6.15% (the "base rate") as published in the Wall Street Journal. Any increase in like-term (60 month) treasury notes prior to commencement of the lease will increase the monthly payments correspondingly. At lease commencement, the payments will be fixed for the term of the lease.

Dated as of the day and year first above written.
Accepted by Lessor in Chicago Illinois
MARCAP CORPORATION LESSEE: Orion Imaging Systems, Inc.
Legal Name

/s/ Joyce Mehrberg /s/ Len Shaw
Signature (1) Signature (2)

By: /s/ Illegible
Vice President

Joyce Mehrberg Len Shaw
Printed Name Printed Name

CFO VP Finance
Title Title

WITNESS: /s/ David Sheehan
Signature

David Sheehan
Printed Name

Schedule No. 11

To and hereby made a part of Equipment Lease No. 00080103 as of OCTOBER 1, 2000, between MARCAP CORPORATION ("Lessor") and ORION IMAGING SYSTEMS, INC. ("Lessee").

EQUIPMENT:

(1) Digirad 2020tc Moblie Gamma Camera
(1) Digirad SPECTour Chair
(1) Ford E250 Van
(1) Hot Lab Package

VENDOR:

Digirad
9350 Trade Place
San Diego, CA 92126-6334

Original Location: 4700 Bell Grove Rd., Bay 14, Baltimore, MD 21225

Initial Term of Lease: SIXTY-THREE (63) MONTHS

Rental: $1-3=$0.00; 4-6=$5,000.00, 7-9=$7,500.00, 10-63=$7,649.73 per month, plus any applicable taxes

Number of Rental Payments: Sixty (60)

Advance Rental: $ covering

Security Deposit:

Estimated Total Cost of Equipment: $325,000.00 plus any applicable taxes

Additional Provisions:

1. PURCHASE OPTION: Provided that Lessee is not then in default under the Lease and has then fully performed all of its obligations hereunder, Lessee shall have the option at the expiration of the term to purchase all of the Equipment leased under this Schedule on an "as is, where is" basis, without warranties, express or implicit by Lessor, for a price (plus applicable taxes) of one dollar ($1.00).

2. RENT: All rentals provided for above are based upon like-term (60 month) Treasury Notes of 6.15% (the "base rate") as published in the Wall Street Journal. Any increase in like-term (60 month) treasury notes prior to commencement of the lease will increase the monthly payments correspondingly. At lease commencement, the payments will be fixed for the term of the lease.

Dated as of the day and year first above written.
Accepted by Lessor in Chicago Illinois
MARCAP CORPORATION

LESSEE: Orion Imaging Systems, Inc.
Legal Name

/s/ Joyce Mehrberg /s/ Scott Huennekens
Signature (1) Signature (2)

By: /s/ Illegible

Vice President

Joyce Mehrberg	Scott Huennekens
Printed Name	Printed Name
CFO	CEO
Title	Title
WITNESS:	/s/ Michael Robinson
	Signature
	Michael Robinson
	Printed Name

Schedule No. 12

To and hereby made a part of Equipment Lease No. 00080103 as of OCTOBER 1, 2000, between MARCAP CORPORATION ("Lessor") and ORION IMAGING SYSTEMS, INC. ("Lessee").

EQUIPMENT:	VENDOR:
(1) Digirad 2020tc Moblie Gamma Camera	Digirad
(1) Digirad SPECTour Chair	9350 Trade Place
(1) Ford E250 Van	San Diego, CA 92126-6334
(1) Hot Lab Package	

Original Location: 4700 Bell Grove Rd., Bay 14, Baltimore, MD 21225

Initial Term of Lease: SIXTY-THREE (63) MONTHS

Rental: $1-3=$0.00; 4-6=$5,000.00, 7-9=$7,500.00, 10-63=$7,649.73 per month, plus any applicable taxes

Number of Rental Payments: Sixty (60)

Advance Rental: $ covering

Security Deposit:

Estimated Total Cost of Equipment: $325,000.00 plus any applicable taxes

Additional Provisions:

1. PURCHASE OPTION: Provided that Lessee is not then in default under the Lease and has then fully performed all of its obligations hereunder, Lessee shall have the option at the expiration of the term to purchase all of the Equipment leased under this Schedule on an "as is, where is" basis, without warranties, express or implicit by Lessor, for a price (plus applicable taxes) of one dollar ($1.00).

2. RENT: All rentals provided for above are based upon like-term (60 month) Treasury Notes of 6.15% (the "base rate") as published in the Wall Street Journal. Any increase in like-term (60 month) treasury notes prior to commencement of the lease will increase the monthly payments correspondingly. At lease commencement, the payments will be fixed for the term of the lease.

Dated as of the day and year first above written.
Accepted by Lessor in Chicago Illinois

MARCAP CORPORATION	LESSEE: Orion Imaging Systems, Inc.
	Legal Name
	/s/ Joyce Mehrberg /s/ Scott Huennekens
By: /s/ Illegible	Signature (1) Signature (2)
Vice President	
	Joyce Mehrberg Scott Huennekens

Printed Name	Printed Name
CFO	CEO
Title	Title

WITNESS: /s/ Michael Robinson

Signature

Michael Robinson

Printed Name

MARCAP

VIA FAX

May 3, 2001

Ms. Joyce Mehrberg
Digirad Imaging Solutions, Inc.
9350 Trade Place
San Diego, CA 92126

RE: Schedule No.(s) 11 & 12 to Equipment Lease No. 00080103 as of October 1, 2000 (the "Agreement")

Dear Ms. Mehrberg:

This letter will serve to amend the above referenced Schedules as follows:

SCHEDULE 11:

The Equipment Cost was amended to reflect a total cost $314,815.01 which was previously documented at $325,000.00. The Rental amount has been amended to months 1-3 (03/29/01 through 05/29/01) @ $0.00, months 4-6 @ 5,000.00 (commencing 6/29/01), months 7-9 @ 7,500.00 (commencing 09/29/01), and months 10-63 @ $7380.77 (commencing 12/29/01).

SCHEDULE 12:

The Equipment Cost was amended to reflect a total cost of $314,417.57, which was previously documented at $325,000.00. The Rental amount has been amended to months 1-3 (04/25/01 through 06/25/01) @ $0.00, months 4-6 @ $5,000.00 (commencing 7/25/01), months 7-9 @ 7,500.00 (commencing 10/25/01), and months 10-63 @ $7370.27 (commencing 1/25/02).

All other terms and conditions of the Agreement will remain in full force.

Sincerely,

/s/ Laura Franzway

Laura Franzwa
Contract Administrator

EXHIBIT 10.12

03060101
LEASE NUMBER

MarCap Corporation

Main Line Number: 312-641-0233 Facsimile Number: 312-425-2441
Toll Free Number: 1-800-621-1677 Website: www.marcapcorp.com

EQUIPMENT LEASE

Lease dated as of June 13, 2003, between **MarCap Corporation**, a Delaware corporation having its principal office at 20 North

Wacker Drive, Suite 2150, Chicago, Illinois 60606 ("Lessor"), and Digirad Imaging Solutions. Inc., a Corporation organized under the laws of the state of Delaware and having its chief executive office at 9350 Trade Place, San Diego. CA 92126 ("Lessee").

1. **Lease.** Subject to the terms hereof, Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the equipment and other property ("Equipment") described on Equipment Schedules ("Schedule or Schedules") to this Lease executed from time to time by Lessor and Lessee, all of which are made a part hereof. For the purposes of this Equipment Lease, each Schedule relating to one or more items of Equipment shall be deemed to incorporate all of the terms and provisions of this Equipment Lease.

2. **Term.** The term of Lease for the items of Equipment included on any Schedule shall commence on the date such items are accepted by Lessee ("Commencement Date") and, subject to the terms hereof, shall continue for the period of time set forth on said Schedule.

3. **Rental.** Lessee shall pay to Lessor, as rental for the Equipment, the monthly rent set forth on each Schedule. The first rental payment shall be due on the Commencement Date and subsequent rental payments shall be due on the same day of each month thereafter. All rent shall be paid to Lessor at 20 North Wacker Drive, Suite 2150, Chicago, Illinois 60606, or at such other address as Lessor may specify, without notice or demand and without abatement, deduction or setoff. Rent and any other payments due hereunder not made within ten (10) days of the due date shall be subject to a service charge equal to the lesser of (i) five percent (5%) of the overdue payment, (ii) the maximum amount permitted by law.

4. **Errors in Estimated Cost; Omissions.** The rentals set forth on each Schedule are based upon the estimated cost of Equipment and shall be adjusted proportionately if the actual cost differs from the estimate. Lessee authorizes Lessor, with respect to each Schedule, (i) to so adjust the rent once the actual cost is known, (ii) to insert on such Schedule serial numbers or other more specific descriptions of the Equipment. "Cost, as used herein, means the total cost to the Lessor of purchasing and causing delivery and installation of the Equipment, including taxes, transportation and any other charges paid by Lessor.

5. **Disclaimer of Warranties.** LESSEE ACKNOWLEDGES THAT: (i) THE EQUIPMENT IS OF A SIZE, DESIGN, CAPACITY AND MANUFACTURE SELECTED BY LESSEE; (ii) LESSOR IS NOT A MANUFACTURER NOR A DEALER IN PROPERTY OF SUCH KIND; (iii) NEITHER THE VENDOR NOR ANY REPRESENTATIVE OF ANY VENDOR OR ANY MANUFACTURER OF THE EQUIPMENT IS AN AGENT OF LESSOR OR AUTHORIZED TO WAIVE OR ALTER ANY TERM OR CONDITION OF THIS LEASE; AND (iv) LESSOR HAS NOT MADE AND DOES NOT HEREBY MAKE ANY WARRANTY, EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, THE CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF THE EQUIPMENT. No defect in, unfitness of, or an inability of Lessee to use any Equipment, howsoever caused, shall relieve Lessee from its obligation to pay rentals or from any other obligations. Lessor shall not in any event be responsible to Lessee or anyone claiming through Lessee for any damages, direct, consequential, or otherwise, resulting from the delivery, installation, use, operation, performance or condition of any Equipment, or any delay or failure by any vendor in delivering and/or installing any Equipment or performing any service for Lessee. Nothing herein shall be construed as depriving Lessee of whatever rights Lessor may have against any vendor of the Equipment, and Lessor hereby authorizes Lessee, at Lessee's expense, to assert for Lessor's account during the term of this Lease, all of Lessor's rights under any warranty or promise given by a vendor and relating to Equipment so long as Lessee is not in default hereunder. Lessee may communicate with the vendor supplying the Equipment and receive an accurate and complete statement of those promises and warranties, including any disclaimers and limitations of them or of remedies.

6. **Acceptance.** Lessee shall inspect each item of Equipment within 72 hours after delivery or, where applicable, installation thereof. Unless Lessee within such period of time gives written notice to Lessor and the vendor specifying any defect in or other proper objection to an item of Equipment, it shall be conclusively presumed between Lessor and Lessee that Lessee has fully inspected such Equipment, that such Equipment is in full compliance with the terms of this Lease, that such Equipment is in good condition (operating and otherwise) and repair, and that Lessee has unconditionally accepted such Equipment. Forthwith after acceptance of each item of Equipment, Lessee shall execute and deliver to Lessor, Lessor's form of Delivery and Acceptance Acknowledgment.

7. **Maintenance.** Lessee will maintain the Equipment in good operating order and appearance, protect the Equipment from deterioration, other than normal wear and tear, and will not use the Equipment for any purpose other than that for which it was designed. Lessee will maintain in force a standard maintenance contract with the manufacturer of the Equipment or a party authorized by the manufacturer and acceptable to the Lessor to perform such maintenance (the "maintenance contractor"), and upon request will provide Lessor with a complete copy of that contract. Lessee's obligation regarding the maintenance of the Equipment will include, without limitation, all maintenance and repair recommended or advised either by the manufacturer, government agencies, or regulatory bodies and those commonly performed by prudent business and/or professional practice. Upon return of the Equipment, Lessee will provide a letter from the maintenance contractor certifying that the Equipment meets all current specifications of the manufacturer, is in compliance with all pertinent governmental or regulatory rules, laws or guidelines for its operation or use, is qualified for the maintenance contractor's standard maintenance contract and is at then current release, revision and engineering change levels.

8. **Security Deposit.** The security deposit, if any, specified on each Schedule shall secure the full and faithful performance of all agreements, obligations and warranties of Lessee hereunder, including, but not limited to, the agreement of Lessee to return the Equipment upon the expiration or earlier termination of this Lease in the condition specified. Such deposit shall not excuse the performance of any such agreements, obligations or warranties of Lessee or prevent a

default. Lessor may (but need not) apply all or any part of such security deposit toward discharge of any overdue obligation of Lessee. To the extent any portion of the security deposit is so applied by Lessor, Lessee shall forthwith report the security deposit to its full amount. If upon the expiration of the term of this Lease, Lessee shall have fully complied with all of its agreements, obligations and warranties hereunder, any unused portion of such security deposit will be refunded to Lessee. Lessor shall not be obligated to pay interest on the security deposit.

9. **Insurance.** Lessee, at its expense, shall keep the Equipment insured against all risk of less of physical damage (including comprehensive boiler and machinery coverage and earthquake and flood insurance if Lessor determines that such events could occur in the area where the Equipment is located) for the full replacement value of the Equipment. Lessee shall further provide and maintain comprehensive public liability insurance against claims for bodily injury, death and/or property damage arising out of the use, ownership, possession, operation or condition of the Equipment, together with such other insurance as may be required by law or reasonably requested by Lessor. All said insurance shall name both Lessor and Lessee as parties insured and shall be in form and amount and with insurers satisfactory to Lessor, and Lessee shall furnish to Lessor certified copies or certificates of the policies of such insurance and each renewal thereof. Each insurer must agree, by endorsement upon the policy or policies issued by it, that it will give Lessor not less than 30 days written notice before such policy or policies are canceled or altered, and, under the physical damage insurance, a) that losses shall be payable solely to Lessor, and (b) that no act or omission of Lessee or any of its officers, agents, employees, or representatives shall affect the obligation of the insurer to pay the full amount of any loss. Lessee hereby irrevocably authorizes Lessor to make, settle and adjust claims under such policy or policies of physical damage insurance and to endorse the name of Lessee on any check or other item of payment for the proceeds thereof; it being understood, however, that unless otherwise directed in writing by Lessor, Lessee shall make and file timely all claims under such policy or policies, and unless Lessee is then in default, Lessee may, with the prior written approval of Lessor (which will not be unreasonably withheld) settle and adjust all such claims.

10. **Risk of Loss.** As used herein, the term “Event of Loss” shall mean any of the following events with respect to any item of the Equipment: (a) the actual or constructive total loss of such Equipment; (b) the loss, theft, or destruction of such Equipment or damage to such Equipment to such extent as shall make repair thereof uneconomical or shall render such Equipment permanently unfit for normal use for any reason whatsoever; or (c) the condemnation, confiscation, requisition, seizure, forfeiture or other taking of title to or use of such Equipment. Except as expressly hereinafter provided, the occurrence of any Event of Loss or other damage to or deprivation of use of any Equipment, howsoever occasioned, shall not reduce or impair any obligation of Lessee hereunder, and, without limiting the foregoing, shall not result in any abatement or reduction in rentals whatsoever. Lessee hereby assumes and shall bear, from the time such risk passes to Lessor from the vendor until expiration or termination of the lease term and return of the Equipment to Lessor, the entire risk of any Event of Loss or any other damage to or deprivation of use of the Equipment, howsoever occasioned.

Upon the occurrence of any damage to any Equipment not constituting an Event of Loss, Lessee, at its sole cost and expense, shall promptly repair and restore such Equipment so as to return such Equipment to substantially the same condition as existed prior to the date of such occurrence (assuming such Equipment was then in the condition required by this Lease). Provided that Lessee is not then in default hereunder, upon receipt of evidence reasonably satisfactory to Lessor of completion of such repairs and restoration in accordance with the terms of this Lease, Lessor will apply any insurance proceeds received by Lessor on account of such occurrence

to the cost of such repairs and restoration; it being understood, however, that if at such time Lessee shall be in default hereunder, Lessor may, at its option, retain any part or all of such proceeds and apply same to any obligations of Lessee to Lessor.

Upon the occurrence of an Event of Loss, Lessee shall immediately notify Lessor in writing of such occurrence, fully informing Lessor of all details with respect thereto, and, on or before the first to occur of (i) 30 days after the date upon which such Event of Loss occurs, or (ii) 5 days after the date on which either Lessor shall receive any proceeds of insurance in respect of such Event of Loss or any underwriter of insurance on the Equipment shall advise Lessor or Lessee in writing that it disclaims liability in respect of such Event of Loss, if such be the case, Lessee shall pay to Lessor an amount equal to the sum of (a) accrued but unpaid rent and other sums due under the Lease plus (b) the present value of all future rentals reserved in the Lease and contracted to be paid over the unexpired term discounted at 6% per annum plus (c) the present value of Lessor’s residual value of the Equipment as of the expiration of the term discounted at 6% per annum (the “Stipulated Loss Value”), less the amount of any insurance proceeds or condemnation or similar award by a governmental authority then actually received by Lessor on account of such Event of Loss. No delay or refusal by any insurance company or governmental authority in making payment on account of such Event of Loss shall extend or otherwise affect the obligations of Lessee hereunder. Lessee shall continue to pay all rentals and other sums due hereunder up to and including the date upon which the Stipulated Loss Value is actually received in full by Lessor, whereupon this Lease with respect to such Equipment shall terminate and all rentals reserved hereunder with respect to such Equipment from the date such payment is received in full by Lessor, as aforesaid, to what would have been the end of the term hereof, shall abate. No such payment shall affect Lessee’s obligations with respect to Equipment not subject to an Event of Loss. After receipt by Lessor of all sums due hereunder, Lessor will upon request of Lessee transfer its interest, if any, in such Equipment to Lessee on an “as is, where is” basis and without warranty by or recourse to Lessor.

The proceeds of insurance in respect of an Event of Loss and any award on account of any condemnation or other taking of any Equipment by a governmental authority shall be paid to Lessor and applied by Lessor against the obligation of Lessee to pay Lessor the Stipulated Loss Value of such Equipment (or, if Lessee shall have first paid the Stipulated Loss Value in full, shall be promptly paid over by Lessor to Lessee up to the extent necessary to reimburse Lessee for payment of the Stipulated Loss Value); and the balance, if any, of such proceeds or award shall be paid over promptly by Lessor to Lessee if Lessee is not then in default hereunder. If Lessee is in default hereunder, Lessor may at its option apply all or any part of such proceeds to any obligations of Lessee to Lessor.

11. **Indemnity.** Lessee shall indemnify and hold Lessor harmless from and against any and all claims, costs, expenses (including attorneys’ fees) losses and liabilities of whatsoever nature arising out of or occasioned by or in connection with (i) the purchase, delivery, installation, acceptance, rejection, ownership, leasing, possession, use, operation, condition or return of any Equipment including, without limitation, any claim alleging latent or other defects and any claim arising out of strict liability in tort, or (ii) any breach by Lessee of any of its obligations hereunder.

12. **Taxes.** Lessee shall pay as and when due, and indemnify and hold Lessor harmless from and against, all present and future taxes and other governmental charges (including, without limitation, sales, use, leasing, stamp and personal property taxes and license and registration fees), and amounts in lieu of such taxes and charges and any penalties and interest on any of the foregoing, imposed, levied or based upon, in connection with or as a result of the purchase, ownership, delivery, leasing, possession or use of the Equipment or the exercise by Lessee of any option hereunder, or based upon or measured by rentals or receipts with respect to this Lease. Lessee shall not, however, be obligated to pay any taxes on or measured by Lessor’s net income. Lessee authorizes Lessor to add to the amount of each rental installment any sales or leasing tax that may be imposed on or measured by such rental installment. Notwithstanding the foregoing, unless and until Lessor notifies Lessee in writing to the contrary, Lessor will file all personal property tax returns covering the Equipment and will pay the personal property taxes levied or assessed thereon. Lessee, upon receipt of invoice, will promptly pay to Lessor, as additional rent, an amount equal

to the lesser of (i) property taxes so paid by Lessor plus the cost incurred by Lessor if Lessor elects to contest such tax, or (ii) the original property tax assessment.

If not thereby subjecting the Equipment to forfeiture or sale, Lessee may at its expense contest in good faith, by appropriate proceedings, the validity and/or amount of any of the taxes or other governmental charges described above, provided that prior written notice of any such contest shall be given to Lessor together with security satisfactory to Lessor for the payment of the amount being contested and provided further that Lessor has not contested such tax.

13. **Notices; Inspection.** Lessee shall give Lessor immediate notice of any attachment, judicial process, lien, encumbrance or claim affecting the Equipment, any loss or damage to the Equipment or material accident or casualty arising out of the use, operation or condition of the Equipment, and any change in the residency or principal place of business of Lessee or any guarantor of Lessee's obligations hereunder ("Guarantor"). Lessor may (but need not), for the purpose of inspection, at all reasonable business hours, enter from time to time upon any premises where the Equipment is located.

14. **Alterations.** Lessee shall not make or permit any changes or alterations to the Equipment without Lessor's prior written consent. All accessories, replacements, parts and substitutions for or which are added or attached to the Equipment shall become the property of Lessor, included in the definition of Equipment, and subject to this Lease.

15. **Title; Additional Assurances.** Lessee shall keep the Equipment free from all liens and encumbrances. Lessee will promptly execute, or otherwise authenticate, and deliver to Lessor such further documents, instruments, assurances and other records, and take such further action as Lessor from time to time may reasonably request in order to carry out the intent and purpose of this Lease and to establish and protect the rights and remedies created or intended to be created in favor of Lessor under the Lease (including, without limitation (i) lien searches and (ii) such UCC financing statements, fixture filings and waivers as reasonably may be required by Lessor in connection with any change in circumstances relating to Lessee, the Equipment or otherwise); provided, however, Lessee hereby authorizes Lessor to file any and all of the same without Lessee's authentication, to the extent permitted by applicable law. Lessee shall provide written notice to Lessor not less than thirty (30) days prior to any contemplated change in the name, the jurisdiction of organization, or address of the chief executive office, of Lessee.

16. **Quiet Enjoyment.** So long as Lessee shall not be in default and fully performs all of its obligations hereunder, Lessor will not interfere with the quiet use and enjoyment of the Equipment by Lessee.

17. **Return**. Upon the expiration or earlier termination of this Lease with respect to any Equipment, Lessee, pursuant to Lessor's instructions and at Lessee's expense, will have the Equipment deinstalled, audited by the maintenance contractor or another party acceptable to Lessor, packed and shipped fully insured and in accordance with the manufacturer's instructions to the destination specified by Lessor; provided, however, that Lessor shall reimburse Lessee for any freight charges incurred at the direction of Lessor which may exceed the charges for shipment from the location of such Equipment to Lessor's place of business in Chicago, Illinois. All returned Equipment shall be in good operating order and appearance, other than normal wear and tear and shall comply with all of the requirements of Section 7. Lessee shall pay to Lessor, on demand, the cost of any repairs necessary to place the Equipment in the condition required by this Lease.

18. **Lessee's Warranties.** In order to induce Lessor to enter into this Lease and to lease the Equipment to Lessee hereunder, Lessee represents and warrants that: (a) Disclosures. (i) its applications, financial statements and reports which have been submitted by it to Lessor are, and all information hereafter furnished by Lessee to Lessor will be, true and correct in all material respects as of the date submitted; (ii) as of the date hereof and the date of any Schedule and any lease Commencement Date, there has been no material adverse change in any matter stated in such applications, financial statements and reports; (iii) there are no known contingent liabilities or liabilities for taxes of Lessee which are not reflected in said financial statements or reports; and, (iv) none of the foregoing omit or omitted to state any material fact (b) Organization. Lessee's legal name, state of organization and chief executive office is as first set forth above and Lessee is duly organized, validly existing and in good standing in such state and duly qualified to do business in each state where the Equipment will be located, (c) Power and Authority. Lessee has full power, authority and legal right to execute, deliver and perform this Lease and any Schedule thereto, and the execution, delivery and performance hereof has been duly authorized by all necessary action of Lessee, (d) Enforceability. This Lease and any Schedule or other document executed in connection therewith has been duly executed and delivered by Lessee and constitutes a legal, valid and binding obligation of Lessee enforceable in accordance with its terms. (e) Consents and Permits. The execution, delivery and performance of this Lease does not require any approval or consent of any stockholders, partners or proprietors or of any trustee or holders of any indebtedness or obligations of Lessee, and will not contravene any law, regulation, judgment or decree applicable to Lessee, or the certificate of organization, partnership agreement or by-laws of Lessee, or contravene the provisions of, or constitute a default under, or result in the creation of any lien upon any property of Lessee under any mortgage, instrument or other agreement to which Lessee is a party or by which Lessee or its assets may be bound or affected. Lessee is not in violation of any laws, ordinances, decrees, orders, governmental rules or regulations to which it is subject and Lessee has, or when required by applicable law will have, all the licenses, accreditations, permits and regulatory approvals necessary for the operation of its business and the performance of this Lease, (f) Title to Equipment. On each Commencement Date, Lessor shall have good and marketable title to the items of Equipment being subjected to this Lease on such date, free and clear of all liens created by or through Lessee.

19. **Assignment.** Lessee hereby consents to any assignment by Lessor and any reassignment of this Lease or rents hereunder with or without notice. Lessee agrees that the rights of any assignee shall not be subject to any defense, setoff or counterclaim that Lessee may have against Lessor, and that any such assignee shall have all of Lessor's rights hereunder, but none of Lessor's obligations. Neither this Lease nor any of Lessee's rights hereunder shall be assignable by Lessee, either by its own act or by operation of law, without the prior written consent of Lessor, which shall not be unreasonably withheld, and any such attempted assignment shall be void. Lessee further agrees it will not, without the prior written consent of Lessor, allow the Equipment to be used by persons other than employees of Lessee, or rent or sublet any Equipment to others. Lessee may relocate any Equipment from the premises where originally installed subject to Lessor's approval which shall not be unreasonably withheld.

20. **Lessor's Right to Terminate.** Without limiting the rights of Lessor in the event of a default by Lessee, Lessor shall at any time prior to acceptance of any Equipment have the right to terminate this Lease with respect to such Equipment if (a) there shall be an adverse change in Lessee's or any Guarantor's financial position or credit standing, or (b) Lessor otherwise in good faith deems itself insecure, or (c) such Equipment is not for any reason delivered to Lessee within 90 days or accepted by Lessee within 30 days after any estimated delivery date thereof specified in the Schedule describing such Equipment, or (d) Lessee rejects any Equipment in accordance with Paragraph 6 hereof. Upon any termination by Lessor pursuant to this Paragraph, Lessee shall forthwith reimburse to Lessor all sums paid by Lessor with respect to such Equipment and pay to Lessor all other sums then due hereunder; whereupon, if

Lessee is not then in default and has then fully performed all of its obligations hereunder, Lessor will, upon request of Lessee, transfer to Lessee without warranty or recourse any rights that Lessor may then have with respect to such Equipment.

21. **Right to Perform Obligations.** If Lessee shall fail to make any payment or perform any act or obligation required of Lessee hereunder, Lessor may (but need not) at any time thereafter make such payment or perform such act or obligation at the expense of Lessee. Any expense so incurred by Lessor shall constitute additional rental hereunder payable by Lessee to Lessor upon demand with interest at the overdue rate, as hereinafter defined.

22. **Events of Default.** An event of default shall occur hereunder if the owner(s) of Lessee sell or otherwise transfer their controlling interest in Lessee or if Lessee (i) fails to pay any installment of rent or other payment required hereunder when due and such failure shall continue for more than five (5) days; or (ii) attempts to or does remove from the premises, sell, transfer, encumber, part with possession of, or sublet any item of Equipment; or (iii) breaches or shall have breached any representation or warranty made or given by Lessee or Guarantor in this Lease or in any other document furnished to Lessor in connection herewith, or any such representation or warranty shall be untrue or, by reason of failure to state a material fact or otherwise, shall be misleading; or (iv) fails to perform or observe any other covenant, condition or agreement to be performed or observed by it hereunder, and such failure or breach shall continue un remedied for a period of thirty (30) days after the earlier of (a) the date on which Lessee obtains, or should have obtained knowledge of such failure or breach; or (b) the date on which notice thereof shall be given by Lessor to Lessee; or (v) shall become insolvent or bankrupt or make an assignment for the benefit of creditors or consent to the appointment of a trustee or receiver, or a trustee or receiver shall be appointed for a substantial part of its property without its consent, or bankruptcy or reorganization or insolvency proceeding shall be instituted by or against Lessee; or (vi) ceases doing business as a going concern; or (vii) shall have terminated its legal existence, consolidated with, merged into, or conveyed or leased substantially all of its assets to any person.

23. **Remedies Upon Default.** In the event of any default by Lessee, Lessor may, at its option, do one or more of the following: (a) terminate this Lease and Lessee's rights hereunder; (b) proceed by appropriate court action to enforce performance of the terms of this Lease and/or recover damages for the breach hereof; (c) directly or by its agent, and without notice or liability or legal process, enter upon any premises where any Equipment may be located, take possession of such Equipment, and either store it on said premises without charge or remove the same (any damages occasioned by such taking of possession, storage or removal being waived by Lessee); and/or (d) declare as immediately due and payable and forthwith recover from Lessee, as liquidated damages and not as a penalty, an amount equal to the then aggregate Stipulated Loss Value of the Equipment.

In the event of any repossession of any Equipment by Lessor, Lessor may (but need not), without notice to Lessee, (A) hold or use all or part of such Equipment for any purpose whatsoever, (B) sell all or part of such Equipment at public or private sale for cash or on credit and/or (C) relet all or part of such Equipment upon such terms as Lessor may solely determine; in each case without any duty to account to Lessee except as herein expressly provided. After any repossession of Equipment by Lessor there shall be applied on account of the obligations of Lessee hereunder one of the following chosen at the option of Lessor: (x) the net proceeds actually received by Lessor from a sale of such Equipment, after deduction of all expenses of sale and other expenses recoverable by Lessor hereunder, or (y) the then "net fair market value" of such Equipment, as determined by an appraisal made by an independent appraiser selected by Lessor at Lessee's expense, taking into account a reasonable estimate of all expenses necessary to effect a sale and the other expenses recoverable by Lessor hereunder; and Lessee shall remain liable, subject to all provisions of this Lease, for the balance of the Stipulated Loss Value. No termination, repossession or other act by Lessor after default shall relieve Lessee from any of its obligations hereunder. In addition to all other charges hereunder, Lessee shall pay to Lessor on demand all fees, costs and expenses incurred by Lessor as a result of such default, including without limitation, reasonable attorneys', appraisers' and brokers' fees and expenses and costs of removal, storage, transportation, insurance and disposition of the Equipment (except to the extent deducted from "net fair market value" or net proceeds of sale, as aforesaid). In the event that any court of competent jurisdiction determines that any provision of this Paragraph 23 is invalid or unenforceable in whole or in part, such determination shall not prohibit Lessor from establishing its damages sustained as a result of any breach of this Lease in any action or proceeding in which Lessor seeks to recover such damages. The remedies provided herein in favor of Lessor shall be exclusive, but shall be cumulative and in addition all other remedies existing at law or in equity, any one or more of which may be exercised simultaneously or successively.

24. **Non-Waiver**. Lessor's failure at any time to require strict performance by Lessee of any provision hereof shall not waive or diminish Lessor's rights thereafter to demand strict performance thereof or of any other provision. None of the provisions of this Lease shall be held to have been waived by any act or knowledge of Lessor, but only by a written instrument executed by Lessor and delivered to Lessee. Waiver of any default shall not be a waiver of any other or subsequent default.

25. **Communications**. Any notice or other communication required or desired to be given hereunder shall be given in writing and shall be deemed to have been duly given and received when sent by confirmed express mail, when delivered by hand or by confirmed Federal Express delivery or other reputable overnight courier or by facsimile on the date actually received by the addressee and, when deposited in the United States mail, registered or certified, postage prepaid, return receipt requested, on the third business day succeeding the day on which such notice was mailed, addressed to the respective addresses of the parties set forth at the beginning of this lease or any other address designated by notice served in accordance herewith.

26. **Financial and Other Information.** Lessee shall furnish to Lessor the following financial and other information about the condition and affairs of Lessee and any Guarantor; (a) within 120 days of the expiration of each fiscal year of such party, audited or reviewed financial statements, and within 45 days of each fiscal quarter, unaudited financial statements certified as true and correct by such party, consisting in each case of balance sheet, income statement and statement of cash flows, all prepared in accordance with generally accepted accounting principles, consistently applied; (b) such other information as Lessor may reasonably request from time to time.

27. **Holding Over.** Any use of the Equipment beyond the initial lease term or any renewal thereof shall be deemed to be an extension of the Lease term on a month-to-month basis terminable by Lessor on ten (10) days notice to Lessee and all obligations of Lessee herein, including payment of rent shall continue during such holding over.

28. **Survival.** Lessee's indemnities shall survive the expiration or other termination of this Lease.

29. **Service of Process; Venue.** IN ORDER TO INDUCE LESSOR TO EXECUTE THIS LEASE, LESSEE HEREBY AGREES THAT ALL ACTIONS OR PROCEEDINGS ARISING DIRECTLY OR INDIRECTLY FROM THIS LEASE SHALL BE LITIGATED ONLY IN COURTS (STATE OR FEDERAL) HAVING SITUS IN THE STATE OF ILLINOIS AND THE COUNTY OF COOK UNLESS LESSOR, IN ITS SOLE DISCRETION, WAIVES THIS PROVISION. LESSEE HEREBY EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR

PROCEEDING COMMENCED BY LESSOR IN ANY STATE OR FEDERAL COURT LOCATED WITHIN THE STATE OF ILLINOIS, HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS AND COMPLAINT OR OTHER PROCESS OR PAPERS ISSUED THEREIN, AND AGREES THAT SERVICE MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO LESSEE AS PROVIDED FOR IN PARAGRAPH 25 HEREOF, AND THAT SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED ON THE THIRD BUSINESS DAY AFTER THE SAME SHALL HAVE BEEN MAILED IN THIS MANNER. LESSEE WAIVES ANY CLAIM THAT ANY ACTION INSTITUTED BY LESSOR HEREUNDER IS IN AN INCONVENIENT FORUM OR AN IMPROPER FORUM BASED ON LACK OF VENUE. TO THE EXTENT PERMITTED BY LAW, LESSEE HEREBY WAIVES TRIAL BY JURY AND ANY RIGHT OF SETOFF OR COUNTERCLAIM IN ANY ACTION BETWEEN LESSOR AND LESSEE.

30. **Security Interest.** To the extent that any of the transactions evidenced by Schedules are secured transactions, Lessee hereby grants to Lessor a security interest in the Equipment described on such Schedules as security for all Lessee's obligations and liabilities under the Lease and Lessee authorizes Lessor to disburse the purchase price of such Equipment directly to the vendor(s) thereof.

31. **Non-Cancelable Lease; Unconditional Obligations.** THIS LEASE CANNOT BE CANCELED OR TERMINATED EXCEPT BY LESSOR AS EXPRESSLY PROVIDED FOR HEREIN. LESSEE AGREES THAT LESSEE'S OBLIGATION TO PAY ALL RENT AND PAY AND PERFORM ALL OTHER OBLIGATIONS HEREUNDER SHALL BE ABSOLUTE, IRREVOCABLE, UNCONDITIONAL AND INDEPENDENT AND SHALL BE PAID OR PERFORMED WITHOUT ABATEMENT, DEDUCTION OR OFFSET OF ANY KIND WHATSOEVER. NOTWITHSTANDING THE FOREGOING, LESSEE MAY PREPAY ANY EQUIPMENT SCHEDULE CONTAINING A PREPAYMENT PROVISION IN ACCORDANCE WITH THAT PROVISION.

32. **Lessee Waivers.** To the extent permitted by applicable law, Lessee hereby waives any and all rights and remedies conferred upon a Lessee by Sections 2A-508 through 2A-522 of the Uniform Commercial Code, including, without limitation, the right to (i) cancel this Lease; (ii) repudiate this Lease; (iii) reject this Lease; (iv) revoke acceptance of the Equipment; (v) recover damages from Lessor for any breach of warranty or any other reason; (vi) claim a security interest in any rejected property in Lessee's possession; (vii) deduct all or any part of claimed damages resulting from Lessor's default; (viii) accept partial delivery of the Equipment; (ix) "cover" by making any purchase or lease of equipment in substitution of the Equipment; (x) recover any general, special, incidental or consequential damages from Lessor for any reason.

33. **Miscellaneous.** Interest on any past due sums shall accrue at the rate of 1 ½% per month, not to exceed the maximum rate permitted by law (the "overdue rate"). If any provision of this Lease or the application thereof is hereafter held invalid or unenforceable, the remainder of this Lease shall not be affected thereby, and to this end the provisions of this Lease are declared severable. Titles to Paragraphs shall not be considered in the interpretation of this Lease. This Lease (including the Schedules and any Riders hereto) sets forth the entire understanding between the parties and may not be modified except in a writing signed by both parties. Except as may be expressly provided in any Schedule or Rider hereto, no options to purchase any of the Equipment or extend the term of this Lease with respect to any Equipment have been granted or agreed to by Lessor, and none shall be implied by this Lease. If there is more than one Lessee, the obligations of Lessee hereunder are joint and several. The necessary grammatical changes required to make the provisions hereof apply to corporations, partnerships and/or individuals, men or women, shall in all cases be assumed as though in each case fully expressed. Subject to the terms hereof, this Lease shall be binding upon and inure to the benefit of Lessor and Lessee and their respective personal representatives, successors and assigns. This Lease shall be governed in all respects by the laws of the State of Illinois. This Lease is submitted to Lessor for its acceptance or rejection and will not become effective until accepted by Lessor in writing at its office in Chicago, Illinois. The individuals executing this Lease on behalf of Lessee personally warrant that they are doing so pursuant to due authorization and that by so executing this Lease, Lessee is being bound hereby.

Dated as of the day and year first above written.

LESSEE:Digirad Imaging Solutions, Inc.
Legal Name

Accepted by Lessor at Chicago, Illinois

/s/ Todd P. Clyde
Signature (1) Signature (2)

MarCap Corporation

Todd P. Clyde
Printed Name Printed Name

By: /s/ Illegible
(Title)

CFO
Title Title

Witness: /s/ Susan Yeagley Sullivan

Susan Yeagley Sullivan
Printed Name

Revised March, 2002 (Form Number LS1000)

Schedule No. 01

To and hereby made a part of Equipment Lease No. 03060101 dated as of June 13, 2003, between **MarCap Corporation** ("Lessor") and Digirad Imaging Solutions ("Lessee").

Equipment:
2020tc Gamma Camera SN# 144
SPECTour Chair SN# 107

Vendor:
Digirad Corporation

Ford E250Van VIN#1FTNS24L51HB75380
Van Modifications Ability Center

Original Location: 7444 Trade Street, San Diego, CA 92126
Initial Term of Lease: Sixty (60) months in advance
Rental: 1-60 =$6,545.00 per month, plus any applicable taxes
Advance Rental: $6,545.00 covering first month's rental payment
Security Deposit: None
Estimated Total Cost of Equipment: $313,239.83, plus any applicable taxes.

Additional Provisions:

NOMINAL PURCHASE OPTION: Provided that Lessee is not then in default under the Lease and has then fully performed all of its obligations hereunder, Lessee shall have the option at the expiration of the term to purchase all of the Equipment leased under this Schedule on an "as is, where is" basis, without warranties, express or implied, for a price (plus applicable taxes) of one dollar ($1.00).

RENT ADJUSTMENT (PRIME): The monthly rent set forth above is based upon the prime rate published in the Wall Street Journal as of February 26, 2003. If, on the Commencement Date, such rate has increased, the monthly rent will increase proportionately.

PREPAYMENT: No prepayment will be allowed during the first 18 months of the term of the Lease; thereafter the entire amount of the Lease may be prepaid by paying off the then outstanding principal balance, plus all late and other charges and accrued interest, plus a prepayment fee. The prepayment fee will be calculated by multiplying the then outstanding principal balance by the following applicable factor:

Prepayment Date	Factor
Months 19-36	3.0%
Months 37-48	2.0%
Months 49-60	1.0%

Dated as of the day and year first above written.
Accepted by Lessor at Chicago Illinois
MARCAP CORPORATION

By: /s/ Illegible
Vice President

LESSEE Digirad Imaging Solutions, Inc.
Legal Name

/s/ Todd P. Clyde
Signature (1) Signature (2)

Todd P. Clyde
Printed Name Printed Name

CFO
Title Title

Witness: /s/ Susan Yeagley Sullivan

Susan Yeagley Sullivan
Printed Name

Revised March, 2002 (Form Number LS1001)

CROSS-COLLATERAL AND CROSS-DEFAULT AGREEMENT

Agreement entered into this 13th day of June 2003 between Digirad Imaging Solutions, a Delaware Corporation ("Debtor") and MarCap Corporation, a Delaware Corporation ("Secured Party").

RECITALS

A) Debtor is indebted to Secured Party pursuant to the agreements identified on Exhibit "A" hereto (the "existing indebtedness").

B) Secured Party may extend additional leasing / financing accommodations to Debtor from time at its sole discretion, either directly or by purchasing Debtor's indebtedness to third party (s) ("new indebtedness").

C) Secured party is unwilling to consider any new indebtedness unless Debtor agrees to both cross default and cross collateralize existing and new indebtedness.

For valuable consideration, the parties agree as follows:

1) Cross Default. A default by Debtor under any agreement evidencing either existing indebtedness or new indebtedness shall constitute a default by Debtor under all such Agreements, entitling Secured party to declare a default under any or all of the Agreements and to exercise all rights and remedies provided for therein.

2) Cross Collateral. The equipment and other collateral security described in each agreement evidencing existing indebtedness or new indebtedness shall secured the payment, performance and observance of all obligations and liabilities of Debtor to Secured Party, now existing

or hereafter and howsoever arising under all Agreements.

3) Definition. As used herein, the term Agreements includes both agreements evidencing existing indebtedness and agreements evidencing new indebtedness.

4) Successors and Assigns. This agreement shall bind and inure to the benefit of the parties hereto and their respective successors and assigns.

5) Miscellaneous. This agreement may not be amended except in a writing signed by the Secured Party. A failure by Secured Party to exercise its rights hereunder on one or more occasions shall not constitute a waiver of such right.

Digirad Imaging Solutions (Debtor)
By /s/ Todd P. Clyde CFO
Title

MARCAP CORPORATION (Secured Party)
By /s/ Illegible
Title

Revised April, 2001
Form Number SD1008

Delivery and Acceptance
Acknowledgement

To: MarCap Corporation
20 North Wacker Drive
Suite 2150
Chicago, IL 60606

RE: Equipment Lease No. 03060101
Schedule No. 01
Vendor: Digirad Corporation

The undersigned hereby acknowledges that:

1. The Equipment leased under the above Equipment Lease and Schedule:

(a) has been delivered to and, as of this date, unconditionally accepted by the undersigned;

(b) is in good condition (operating and otherwise) and repair; and

(c) is in full compliance with the terms of said Lease.

2. Unless otherwise specified on said Schedule, the Commencement Date under said Schedule is, and the obligation of the undersigned to pay rental with respect to said Equipment commences on, the date of this Acknowledgement.

3. In the event that the undersigned shall at any time hereafter have any problems with said Equipment, it will look solely to said Vendor for satisfaction and will nevertheless continue to pay rentals to MarCap Corporation free of any setoff, counterclaim or defense.

The undersigned further acknowledges and understands that based upon the foregoing, MarCap Corporation will cause the balance of the purchase price for said Equipment to be paid to said Vendor.

Dated this 25 day of June, 2003.

Digirad Imaging Solutions, Inc.
Lessee

By: /s/ Todd P. Clyde

Printed Name: Todd P. Clyde

Title: CFO

PLEASE KEEP THIS FORM UNTIL THE EQUIPMENT HAS BEEN DELIVERED AND READY TO BE ACCEPTED

Revised March 2002
Form Number LS1008

EXHIBIT 10.13

DVI FINANCIAL SERVICES INC. Fully Executed Copy
MASTER EQUIPMENT LEASE LEASE NO. 2982
("MASTER LEASE") DATE: MAY 24, 2001

LESSOR:
DVI Financial Services Inc.
2500 York Road
Jamison, Pennsylvania 18929
Telephone (215) 488-5000
Facsimile (215) 488-5408

LESSEE: DIGIRAD IMAGING SOLUTIONS, INC.

BILLING ADDRESS: EQUIPMENT ADDRESS:

9350 Trade Place Mobile Unit Services Contracts in Florida
San Diego, CA 92126

TERMS AND CONDITIONS

1. LEASE.
Lessor leases to Lessee, and Lessee hires from Lessor, all of the tangible personal property (with all present and future accessories, additions, upgrades, attachments, repairs and replacement parts, collectively called "Equipment") described in each equipment schedule executed from time to time pursuant to this Master Lease ("Equipment Schedule"). Each equipment Schedule shall (a) be on Lessor's form, (b) incorporate all of the terms of this Master Lease, and (c) contain additional terms as Lessor and Lessee agree.
2. TERM.
(a) The term of this Master Lease shall being on the date set forth above and shall continue in effect so long as any Equipment Schedule remains in effect.
(b) The lease term for each Equipment Schedule shall begin on the date of shipment to Lessee of the Equipment (or any part thereof) described in such Equipment Schedule or such later date as Lessor may designate in writing (the "Commencement Date"), and shall continue thereafter for the term set forth in such Equipment Schedule. On the Commencement Date, Lessee shall execute and deliver to Lessor a Delivery and Acceptance Certificate, in a form to be specified by Lessor, which confirms the Commencement Date.
(c) THIS LEASE AND THE LEASE TERM FOR EACH EQUIPMENT SCHEDULE ARE NOT CANCELABLE BY LESSEE.
3. RENT AND PAYMENT.
Lessee shall pay Lessor, as rental for the Equipment during each month of the term of any Equipment Schedule, the monthly rent set forth in such Equipment Schedule, together with any and all monthly rent payable pursuant to Section 8(a) hereof in connection with any accessions, additions, upgrades with attendant maintenance contracts, and improvements to any of the Equipment, which shall be payable in advance without notice or demand on the dates set forth in such Equipment Schedule. Lessee agrees to pay interim rent in an amount equal to the pro rata periodic monthly rent from the Commencement Date to the first regular monthly periodic rent payment date. Thereafter, the regular periodic rent shall be due on the first day of each succeeding period commencing with the first day of the month following the Commencement Date as set forth on the Equipment Schedule. Lessee shall pay the monthly rent and all other money due under this Master Lease or any Equipment Schedule by check or wire transfer so as to constitute immediately available funds at Lessor's address set forth above or at such other place as Lessor shall designate in writing, or if to an assignee of Lessor, at such place as such assignee shall designate in writing, and Lessee shall make such payments free and clear of all claims, demands or setoffs against Lessor or such assignee. Whenever any payment (of rent or otherwise) is not made within ten (10) days from the date due hereunder, Lessee shall pay Lessor a late charge of five percent (5%) of any payment not paid when due, plus the lesser of eighteen percent (18%) interest per year or the highest lawful rates on such payment until received, or such lesser maximum amount as is permitted by applicable law. In addition, Lessor at its option may require at any time that Lessee make all payments due hereunder or under any Equipment Schedule by certified check or by wire transfer.
4. REQUEST FOR EQUIPMENT.
Lessee requests Lessor to order the Equipment described in any Equipment Schedule executed by Lessee from the supplier named in such Equipment Schedule, to arrange for delivery to Lessee at Lessee's expense, and to pay for the Equipment as provided in such Equipment Schedule. Lessee acknowledges and agrees that: (a) Lessee has independently selected the supplier and the

Equipment, and that Lessor will rely on specifications provided by Lessee in ordering the Equipment; (b) Lessee shall be responsible for all costs and expenses relating to the selection, shipment, delivery, assembly, installation, testing, adjusting, servicing, operation and acceptance of the Equipment; (c) unless the Equipment Schedule otherwise provides, Lessor's payment to the supplier will occur only after Lessee has confirmed (on Lessor's Delivery and Acceptance Certificate) satisfactory delivery, assembly, installation, inspection and acceptance of the Equipment; (d) Lessor shall have no responsibility for any delay, failure or refusal on the part of any supplier to accept or fill Lessor's order; (e) upon Lessee's acceptance of Equipment, Lessee shall execute Lessor's Delivery and Acceptance Certificate; (f) Lessor has the option to terminate any Equipment Schedule and all obligations to Lessee under such Equipment Schedule, and to recover from Lessee any deposit paid by Lessor to the supplier, if the Equipment described in such Equipment Schedule has not been delivered, assembled, installed and accepted by Lessee within 60 days from the date that Lessor orders the Equipment; (g) no supplier is Lessor's agent, or authorized to bind Lessor or waive or alter any provision of this Master Lease or any Equipment Schedule; and (h) if Lessee cancels this Master Lease after execution of such but prior to the Lessee's execution of the Delivery and Acceptance Certificate, Lessor may withhold and keep any deposits or funds paid by Lessee to Lessor.

5. EQUIPMENT SELECTION; DISCLAIMER OF WARRANTIES; WAIVERS.

(a) Lessee acknowledges, represents and warrants that Lessee has made the selection of Equipment based on Lessee's own judgment, and expressly disclaims any reliance upon statements made by Lessor or Lessor's agents, employees or salespersons.

(b) LESSOR MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE CAPACITY, CONDITION, DESIGN, DURABILITY, MATERIAL, MERCHANTABILITY, PERFORMANCE, QUALITY, SUITABILITY, WORKMANSHIP OR VALUE OF THE EQUIPMENT OR ITS FITNESS FOR ANY PARTICULAR PURPOSE OR THAT THE EQUIPMENT WILL SATISFY THE REQUIREMENTS OF ANY LAW, RULE, REGULATION, SPECIFICATION OR CONTRACT, OR ANY OTHER REPRESENTATION OR WARRANTY OF ANY KIND OR NATURE WHATSOEVER WITH RESPECT TO THE EQUIPMENT OR ANY ASSOCIATED ITEM OR ANY ASPECT THEREOF. AS TO THE LESSOR, LESSEE LEASES THE EQUIPMENT "AS IS".

(c) Lessee acknowledge that (i) Lessor is neither the manufacturer of the Equipment nor a manufacturer's agent, supplier or dealer, and has no familiarity with the Equipment; and (ii) Lessor shall have no obligation to assemble, install, test, adjust or service the Equipment.

(d) Lessor shall not be liable, to Lessee or otherwise, to any extent whatsoever, for the selection, quality, condition, merchantability, suitability, fitness, operation or performance of the Equipment. Without limiting the generality of the foregoing, Lessor shall not be liable, to Lessee or otherwise, for any liability, claim, loss, damage or expense of any kind or nature (including strict negligent liability in tort) caused, directly or indirectly, by the Equipment or any inadequacy thereof for any purpose, or any deficiency or defect therein, or the use or maintenance thereof, or any repairs, servicing or adjustments thereto; or any delay in providing or failure to provide any part thereof, or any interruption or loss of service thereof, or any loss of business, or any damage whatsoever and howsoever caused.

(e) REGARDLESS OF CAUSE, LESSEE WILL NOT ASSERT ANY CLAIM WHATSOEVER AGAINST LESSOR FOR LOSS OF ANTICIPATORY PROFITS OR ANY OTHER INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES. IT IS EXPRESSLY UNDERSTOOD AND AGREED THAT EACH AND EVERY PROVISION OF THIS

AGREEMENT WHICH PROVIDES FOR A LIMITATION OF LIABILITY, DISCLAIMER OF WARRANTIES OR EXCLUSION OF DAMAGES, IS INTENDED BY THE PARTIES TO BE SEVERABLE FROM ANY OTHER PROVISION AND IS A SEPARABLE AND INDEPENDENT ELEMENT OF RISK ALLOCATION AND IS INTENDED TO BE ENFORCED AS SUCH.

(f) If the Equipment fails to comply with any representation or warranty made by the supplier or manufacturer thereof, or is defective or improperly assembled or installed or otherwise unsatisfactory for any reason, Lessee shall make claim on account thereof against the supplier or manufacturer thereof, and Lessee shall nevertheless pay all rent and perform all other obligations under this Master Lease and all Equipment Schedules without asserting any claim against Lessor. Lessor hereby assigns to Lessee, without recourse and solely for the purpose of prosecuting such a claim, all rights that Lessor may have against the supplier and manufacturer of Equipment for breach of warranty or other representations with respect to the Equipment; provided, however that this assignment shall not preclude Lessor, in its sole discretion from asserting and prosecuting such a claim. Lessee shall indemnify and hold Lessor harmless from and against any and all claims, costs, expenses, damages, losses and liabilities incurred or suffered by Lessor as a result or incident to any such action by Lessee for breach of warranty or other representations with respect to the Equipment.

(g) Lessor makes no representation or warranty as to the treatment of this Master Lease or any Equipment Schedule for tax or accounting purposes or otherwise.

(h) Lessee hereby waives its rights and remedies under the Uniform

Commercial Code Section 2A-508 through 2A-522 with respect to Lessee's right to cancel any Equipment Schedule, reject any of the Equipment, recover damages or any other rights and remedies provided thereunder in connection with any default by Lessor or any other circumstances therein provided.

6. TITLE AND ASSIGNMENT.

(a) Nothing contained in this Master Lease, or in any Equipment Schedule, shall give or convey to Lessee any right, title or interest in or to the Equipment, or any additions, upgrades, accessions, or improvements thereto, except as a Lessee as set forth in this Master Lease and such Equipment Schedule, and Lessee represents and agrees that Lessee shall hold the Equipment subject and subordinate to the rights of the owner thereof. The Equipment is and at all times shall remain the property of Lessor (or Lessor's successor in interest), and except as expressly set forth in this Master Lease or any Equipment Schedule, Lessee shall have no right, title, equity or interest in the Equipment and no right or option to purchase or otherwise acquire title to or ownership of the Equipment. Lessee shall, at Lessee's sole cost and expense: (i) defend and protect the ownership of, title to, and interest in the Equipment of Lessor, Lessor's successors in interest, and any assignee or secured party, against all parties claiming against or through Lessee; (ii) keep the Equipment free and clear from any legal process, liens, claims, demands and encumbrances (except those incurred by Lessor); and (iii) give Lessor prompt written notice of any legal process, liens, claims, demands and encumbrances made by any party (except Lessor) with respect to the Equipment. Lessee shall, and Lessor may on behalf of Lessee, at Lessee's expense, execute and file such financing statements, applications for registration and other documentation as Lessor shall require for the purpose of protecting or perfecting the interest of Lessor, or any assignee, transferee or secured party, in the Equipment.

(b) Lessee shall, at Lessee's expense, affix to the Equipment such labels, signs or other devices as Lessor may supply to identify Lessor as the owner and Lessor of the Equipment. Lessee authorizes Lessor to insert in any Equipment Schedule and in any financing statement or other documents the serial numbers and other identification data of the Equipment when determined by Lessor. The Equipment is and at all times shall remain personal property regardless of any attachment or affixation of the Equipment to any real property or improvements thereon.

(c) LESSEE SHALL NOT, WITHOUT LESSOR'S PRIOR WRITTEN CONSENT, (i) ASSIGN THIS MASTER LEASE OR ANY EQUIPMENT SCHEDULE OR ANY INTEREST HEREIN OR THEREIN, (ii) ENTER INTO ANY SUBLEASE, LOAN OR SIMILAR ARRANGEMENT WITH RESPECT TO THE EQUIPMENT, OR (iii) TRANSFER, ASSIGN, CONVEY, ENCUMBER, PLEDGE OR OTHERWISE DISPOSE OF ANY EQUIPMENT OR ANY INTEREST THEREIN; AND ANY ATTEMPT BY LESSEE TO DO ANY OF THE FOREGOING WITHOUT LESSOR'S PRIOR WRITTEN CONSENT SHALL BE VOID.

(d) Lessee shall keep, maintain and use the Equipment only at the place designated on the Equipment Schedule, and shall not move the Equipment to any other location without the Lessor's prior written consent.

(e) This Master Lease and any rights of Lessor hereunder and under any Equipment Schedule shall be assignable by Lessor without notice to or the consent of Lessee. Lessee acknowledges and understands that the terms and conditions of each Equipment Schedule have been fixed by Lessor in anticipation of Lessor's ability to sell and assign its interest or grant a security interest under each Equipment Schedule and the Equipment listed therein in whole or in part to a security assignee (the "Secured Party") for the purpose of either assigning: (i) Lessee's obligation to pay rent pursuant to such Equipment Schedule (Lessor having transferred the right to receive such rent to the Secured Party), or (ii) securing a loan to Lessor. Lessor may also sell and assign its rights as owner and lessor of the Equipment under any Equipment Schedule to an assignee (the "Assignee") which may be represented by a bank or a trust company acting as a trustee (the "Owner Trustee") for the Assignee. After such assignments the term Lessor shall mean, as the case may be, such Assignee or Owner Trustee and any Secured Party (collectively "Lessor Transferee"). Lessee acknowledges and agrees that:

(1) Any such Lessor Transferee shall have and be entitled to exercise any and all discretion, rights and powers of Lessor hereunder or under any Equipment Schedule, but such Lessor Transferee shall not be obligated to perform any of Lessor's obligations hereunder or under any Equipment Schedule; provided, however, that such Lessor Transferee shall not disturb Lessee's quiet and peaceful possession of the Equipment and use thereof for its intended purpose during the terms hereof so long as Lessee is not in default of any provision hereof and such Lessor Transferee continues to timely receive all amounts of [illegible] payable under such Equipment Schedule;

(2) Lessee will pay all rent and any and all other amounts payable by Lessee under any Equipment Schedule to such Lessor Transferee, notwithstanding and Lessee hereby waivers any defense or claim of whatever nature, whether by reason of breach of such Equipment Schedule or otherwise, which Lessee may or might now or hereafter have as against Lessor or any prior Lessor Transferee (Lessee reserving its right to have recourse directly against Lessor on account of any such defense or claim); and

(3) Subject to and without impairment of Lessee's leasehold rights in and to the Equipment, Lessee holds the Equipment for such Lessor Transferee to the extent of such Lessor Transferee's rights therein.

7. NET LEASE, TAXES AND FEES.

(a) Lessor and Lessee acknowledge and agree that each Equipment Schedule constitutes a net lease and that Lessee's obligation to pay all rent and any and all amounts payable by Lessee under any Equipment Schedule shall be absolute and unconditional, and shall not be subject to any abatement, reduction, setoff, defense, counterclaim, interruption, deferment or recoupment for any reason whatsoever; and that such payments shall be and continue to be payable in all events.

(b) Lessee shall, at Lessee's sole cost and expense and in addition to the rent due under any Equipment Schedule, promptly pay all taxes, assessments, license fees, permit fees, registration fees, fines, interest, penalties and all other governmental charges (including without limitation income, gross receipts, sales, use, excise, personal property, ad valorem, stamp, documentary and other taxes), whether levied, assessed or imposed on Lessee, Lessor, the Equipment or otherwise, relating to the Equipment or the delivery, leasing, operations, ownership, possession, purchase, registration rental, sales or use thereof during the term of any Equipment Schedule, or the interest of Lessee in the Equipment or under any Equipment Schedule, or the rental or other payments thereunder or earnings arising therefrom (excepting only taxes on Lessor's net income). Lessee shall file all returns required in connection therewith and shall promptly furnish copies to Lessor. Lessee shall reimburse Lessor for any such taxes paid by Lessor within ten (10) days of receipt of Lessor's invoice therefor. Any applicable sales tax will be paid to the manufacturer, manufacturer's agent, supplier, dealer or appropriate taxing agency by Lessor. Where applicable, Lessee acknowledges that such tax may have been included in calculating lease payment.

8. CARE, USE, MAINTENANCE AND REPAIR, AND INSPECTION BY LESSOR.

(a) Lessee shall, at Lessee's sole expense, at all times during the term of such Equipment Schedule and until return of the Equipment to Lessor, (i) maintain the Equipment in good operating order, repair, condition, appearance and protect the Equipment from deterioration, and provide all accessories, upgrades, repairs, replacement parts and service required therefor; (ii) enter into and maintain a maintenance contract with the manufacturer of the Equipment or, with the prior written consent of Lessor, with such other party as shall be acceptable to Lessor, and shall provide Lessor with a copy of such contract and all supplements thereto; (iii) use the Equipment in a careful, proper and lawful manner in accordance with standards, specifications or instructions issued by the manufacturer, and provide necessary site preparation, supplies, energy and personnel; (iv) comply with all of the laws, ordinances, rules, regulations and other requirements relating to the installation, possession, use or maintenance of the Equipment, including the requirements of any applicable insurance policy or warranty; (v) obtain and comply with the requirements of all

permits, licenses and agreements relating to the installation, possession, use or maintenance of the Equipment; and (vi) purchase, or permit Lessor to purchase, any and all additions, improvements, upgrades (as and when any upgrades may become available) and maintenance contracts associated with such upgrades, or accessions to any of the Equipment which Lessor may permit or require Lessee to acquire or which Lessor may, at its option, elect to acquire, with the cost of any and all such additions, improvements, upgrades, maintenance contracts or accessions to be treated as additional original equipment cost with respect to the applicable items of Equipment and which additional cost shall be amortized as additional rental payments by increasing the monthly rental amount payable under Section 3 hereof by the amount corresponding to the amount which would be payable as monthly rent hereunder as if such additional cost constituted a portion of the original equipment cost of the applicable Equipment for Equipment to be leased under the applicable Equipment Schedule for a term equal to the remaining lease term of the applicable Equipment Schedule.

(b) Unless Lessor otherwise consents in writing, Lessee shall not: (i) part with possession of or control over the Equipment; (ii) permit any party other than Lessee and Lessee's qualified employees to operate the Equipment; (iii) permit any nonqualified party to repair or service the Equipment; (iv) permit the Equipment to be used for personal, family, household or agricultural purposes; or (v) make any additions, alterations or improvements to the Equipment other than as required or permitted by the terms of this Master Lease. All repairs, replacement parts, alterations, additions, improvements, upgrades and accessions to any of the Equipment, whether or not any of the foregoing was authorized, required, financed or purchased by Lessor, shall become the property of Lessor.

(c) Upon the request of Lessor, Lessee shall at reasonable times during business hours make the Equipment available to Lessor for inspection at the place where it is normally located and shall make Lessee's log and maintenance records pertaining to the Equipment available to Lessor for inspection.

9. LESSEE'S REPRESENTATIONS AND WARRANTIES.

Lessee hereby represents, warrants and agrees that, with respect to this Master Lease and each Equipment Schedule:

(a) The execution, delivery and performance thereof by Lessee have been

duly authorized by all necessary corporate or partnership action.

(b) Each individual executing such was duly authorized to do so.

(c) This Master Lease and each Equipment Schedule constitute legal, valid and binding agreements of Lessee enforceable in accordance with their terms.

(d) The Equipment is personal property and when subjected to use by Lessee will not become fixtures under applicable law.

(e) During the lease term, Lessee shall deliver and shall cause all obligators, guarantors and parties whose contracts with Lessee are used as additional collateral under this Master Lease to deliver to Lessor audited or reviewed financial statements for each of such party's most recent fiscal years ended, tax returns and unaudited financial statements certified by such party for the most recent quarter ended, consisting of at least a balance sheet, income statements and statements of changes in financial position, and any other information requested by Lessor from time to time, prepared in accordance with generally accepted accounting principles.

(f) Lessee shall provide any and all monthly operating statistics or data and shall use its best efforts to obtain from any party benefiting from the use of the Equipment through services provided by the Lessee any and all operating statistics, data, or information requested by Lessor from time to time.

(g) The execution, delivery and performance of this Master Lease and each Equipment Schedule will not violate any law or regulation applicable to Lessee, or cause a default under any agreement to which Lessee is a party or is subject.

10. DELIVERY AND RETURN OF EQUIPMENT.

Lessee hereby assumes the full expense of transportation and in-transit insurance to Lessee's premises and installation thereat of the Equipment. Upon termination (by expiration or otherwise) of each Equipment Schedule, Lessee shall, pursuant to Lessor's instructions and at Lessee's expense (including without limitation expenses of transportation and in-transit insurance), return the Equipment to Lessor in the same operating order, repair, condition and appearance as when received, less normal depreciation and wear and tear. Lessee shall have the Equipment deinstalled and removed from its location only by the manufacturer of the Equipment, or by such other party as shall have been previously approved in writing by Lessor. The manufacturer or such other preapproved party shall certify in writing to Lessor at the time of such deinstallation that the Equipment includes all appropriate or required upgrades and that it is in good working order. Lessee shall transport the Equipment by means and return the Equipment to Lessor at such address all as shall be directed by Lessor. Lessee shall bear all costs of deinstallation, removal and return of the Equipment, including all costs as may be incurred by Lessee or Lessor to acquire the upgrades required under the terms of this Master Lease, to service and repair the Equipment and to otherwise put the Equipment in the condition required under this Section 10.

11. INSURANCE.

During the term hereof and until return of the Equipment to Lessor, Lessee shall, at Lessee's expense: (i) maintain insurance covering damage, destruction, loss or theft of the Equipment from any cause whatsoever for not less than an amount equal to the greater of the replacement value or the amount calculated pursuant to clause (vi) of Section 15(b) hereof; (ii) maintain public liability (including liability with respect to the use of the Equipment), professional liability insurance (covering Lessee and its employees and any and all other parties as may have possession of or as may operate any of the Equipment), and property damage insurance in an amount satisfactory to Lessor; (iii) maintain, if applicable as determined in the sole discretion of Lessor, business interruption and automobile insurance (where the Equipment constitutes mobile magnetic resonance imaging equipment or other mobile equipment); and (iv) promptly notify Lessor of any actual or alleged damage, destruction, liability, loss or theft relating to the Equipment or the use or operation thereof. All insurance shall be in form, substance and amount satisfactory to Lessor and/or Lessor's Transferee, shall contain a lender's form endorsement with waiver of breach of warranty clause (form 438-BFU or its equivalent), and shall be issued by insurers acceptable to Lessor, and shall name Lessor or any Lessor Transferee as loss payee with respect to all policies of property insurance and as an additional insured with respect to all other policies of insurance. Lessee shall obtain endorsements to all such policies of insurance which shall provide that any amendment or cancellation of any such policy shall not be effective unless Lessor shall have been given thirty (30) days' prior written notice of any such intended amendment or cancellation. Self-insurance is unacceptable unless Lessor shall so provide upon its prior written consent. Lessee shall deliver to Lessor originals or certified copies of such policies, certificates of coverage thereunder and loss payee, additional insured, [illegible] notice of amendment or cancellation endorsements. In addition, as collateral security for Lessee's obligations hereunder, and under the Equipment Schedules, Lessee hereby assigns, transfers and conveys to Lessor all of Lessee's right, title and interest in and to all of the foregoing policies of insurance and the insurance coverage provided thereunder and Lessee shall deliver and cause each insurer under each of such policies of insurance to deliver to Lessor assignments of such policies and coverage with assignments shall be in form and substance satisfactory to Lessor.

12. RISK OF LOSS.

During the term of each Equipment Schedule, and until return of the Equipment to Lessor, Lessee shall bear all risk of damage, destruction, loss or theft of the Equipment from any cause whatsoever. No damage, destruction, loss or theft of the Equipment or delay in payment or deficiency or absence of insurance proceeds, and no unavailability or delay in obtaining supplies, parts or service for the Equipment or failure of the Equipment to function for any cause whatsoever, and no change in laws or regulations governing or restricting the use of the Equipment (including the future enactment of any laws or regulations prohibiting the use of the Equipment), shall release Lessee of the obligation to pay rent or any other obligation hereunder. Upon the occurrence of any reparable damage, Lessee shall promptly make such repairs and restore the Equipment to good repair, condition and working order. Upon the occurrence of any irreparable damage, destruction for loss of the Equipment, Lessee shall, at Lessor's option: (i) replace the Equipment with like equipment in good repair, condition and working order with documentation creating clear title thereto in Lessor; or (ii) pay Lessor the amounts required under Section 15 of this Master Lease to the same extent as though a default had occurred hereunder. Subject to such conditions as Lessor may require, any insurance proceeds paid to Lessor as a result of any damage, destruction, loss or theft of the Equipment shall be applied to Lessee's obligations hereunder, provided that if the Equipment is not repaired or replaced as provided above, such insurance proceeds shall be applied first to Lessor's expected residual interest in the Equipment. Lessor shall have no obligation to collect or pursue any claim arising from any damage, destruction, loss or theft of the Equipment, including any claim under any applicable insurance policy.

13. INDEMNITY.

Lessee shall, at Lessee's sole cost and expense, indemnify, hold harmless and defend Lessor and its agents, employees, officers and directors, and its successors in interest from and against any and all claims, actions, suits, proceedings, costs, expenses, damages and liabilities, including attorney's fees, arising out of, connected with, resulting from or relating to the Equipment or the condition, delivery, leasing, location, maintenance, manufacture, operation, ownership, possession, purchase, repair, repossession, return, sale, selection, service or use thereof, including without limitation: (i) claims involving latent or other defects (whether or not discoverable by Lessee or Lessor), (ii) claims for trademark, patent or copyright infringement, and (iii) claims for injury or death to persons or damage to property or loss of business or anticipatory profits, whether resulting from acts or omissions of Lessee or Lessor or otherwise.

Lessee shall give Lessor prompt written notice of any claim or liability covered by this section. The indemnities under this section shall survive the satisfaction of all other obligations of Lessee herein and the termination of this Master Lease or any Equipment Schedule.

14. SECURITY DEPOSIT.

For the purpose of securing all of Lessee's obligations under this Master Lease and each Equipment Schedule, Lessee grants Lessor a security interest in any security deposit described in any Equipment Schedule. Any such security deposit may be commingled with other funds and shall be held without interest to Lessee. Upon default under this Master Lease or any Equipment Schedule, Lessor may, but shall not be obligated to, apply any such security deposit to any obligation of Lessee under this Master Lease or any Equipment Schedule, in which event Lessee shall promptly restore the amount thereof on demand. Upon compliance by Lessee with all terms of this Master Lease and each Equipment Schedule Lessor shall, at the end of the term of each Equipment Schedule and the return of the Equipment to Lessor as provided herein, refund to Lessee the balance of any security deposit pertaining to such Equipment Schedule.

15. DEFAULT AND REMEDIES.

(a) The occurrences of any one or more of the following events ("Events of Default") shall constitute a default under this Master Lease and any Equipment Schedule: (i) Lessee's failure to pay rent or any other amount required under an Equipment Schedule when due; (ii) Lessee's failure to perform any other obligation or observe any other term of this Master Lease or any Equipment Schedule; (iii) any representation or warranty made to Lessor by Lessee or by any guarantor proves to have been false in any material respect when made; (iv) Lessee or any guarantor suffers a material adverse change in its financial condition; (v) an event of default shall have occurred under and be continuing under any other agreement involving the borrowing of money by Lessee or any guarantor; (vi) levy, seizure or attachment of any Equipment; (vii) commencement of proceedings under any bankruptcy, arrangement, reorganization or insolvency law by or against, or appointment of a receiver or liquidator for any property of, Lessee or any guarantor; (viii) any failure by Lessee or any direct or indirect subsidiary or affiliate of Lessee, or any direct or indirect owner or party controlling, directly or indirectly, Lessee or any direct or indirect subsidiary or affiliate of Lessee, to perform any obligation under any agreement between Lessee or any such subsidiary; affiliate, owner or controlling party on the one hand, and Lessor, any Lessor Transferee, or any direct or indirect

subsidiary or affiliate of Lessor or any Lessor Transferee, on the other hand, which agreement shall include, without limitation, any master lease, any equipment schedule, any promissory note or other debt obligation of Lessee to Lessor; or (ix) assignment for the benefit of creditors or bulk transfer of assets by, or insolvency, cessation of business, termination of existence, death or dissolution of Lessee or any guarantor. As used in this Master Lease, the term "guarantor" shall include an guarantor of this Master Lease or any Equipment Schedule, and any owner of any property given as security for Lessee's obligations hereunder or thereunder.

(b) Upon the occurrence of any one or more Events of Default, Lessor may exercise any one or more of the following remedies without demand or notice to Lessee and without terminating or otherwise affecting Lessee's obligations hereunder: (i) declare the entire balance of rent for the remaining term of this Lease to be immediately due and payable; (ii) require Lessee to assemble the Equipment and make it available to Lessor at a place designated by Lessor; (iii) take and hold possession of the Equipment and render the Equipment unusable, and for this purpose enter and remove the Equipment from any premises where the same may be located without liability to Lessor for any damage caused thereby; (iv) sell or lease the Equipment or any part thereof at public private sale for cash, on credit or otherwise, with or without representations or warranties, and upon such terms as shall be acceptable to Lessor; (v) use and occupy the premises of Lessee for the purpose of taking, holding, reconditioning, displaying, selling or leasing the Equipment, without cost to Lessor or liability to Lessor; (vi) demand, sue for and recover from Lessee the sum of (A) all rent and other amounts due hereunder, plus, as liquidated damages for loss of a bargain and not as a penalty, and in lieu of any further payments of rent for the Equipment, an amount equal to Lessor's Return for such Equipment ("Lessor's Return" shall mean if the applicable Equipment Schedule provides for Stipulated Loss Values, the applicable Stipulated Loss Value, and, otherwise, the present value, discounted at five percent (5%), of all unpaid rent payments to become due during the remaining lease term; (B) all late charges provided in this Master Lease or any Equipment Schedule; (C) all expenses, including attorney's fees, of Lessor or any Lessor Transferee incurred in enforcing any of their rights under this Master Lease or any Equipment Schedule, including the taking, holding, reconditioning, preparing for sale or lease, and selling or leasing of the Equipment; (D) all other expenses, including attorney's fees, incurred by Lessor or any Lessor Transferee incurred in enforcing any of their rights under this Master Lease or any Equipment Schedule and including any and all damages to real property arising from the removal of any of the Equipment, and in the event any party holding an interest in any real property upon which any of the Equipment is located shall demand a security deposit in connection with any such removal, Lessee shall deliver and provide such deposit; (E) any actual or anticipated loss in tax benefits to Lessor (as determined by Lessor) resulting from the default or Lessor's repossession or disposition of the Equipment; and (F) any other amounts payable by Lessee to Lessor under this Master Lease or any Equipment Schedule or damages suffered by Lessor not otherwise compensated herein including, without limitation, damages arising from Lessee's failure to maintain the Equipment as provided herein. Any sale or lease of the Equipment by Lessor after default shall be free and clear of any interest of Lessee.

(c) The rights and remedies of Lessor hereunder are in addition to all other rights and remedies provided by law. All of Lessor's rights and remedies are cumulative and not exclusive, and may be exercised separately or concurrently and in such order and manner as Lessor may determine. The exercise of any one remedy shall not be deemed to be an election of such remedy or to preclude the exercise of any other remedy. No default by Lessee or action by Lessor shall result in a termination of this Master Lease or any Equipment Schedule unless Lessor so notifies Lessee in writing, and no termination of this Master Lease or any Equipment Schedule shall release or impair any of Lessee's obligations hereunder or thereunder.

16. PURCHASE OPTION

Notwithstanding anything to the contrary in the Master Lease and Equipment Schedule, Lessor and Lessee hereby agree, provided no default has occurred and is continuing under the Master Lease, at the end of the Equipment Schedule term, Lessor will sell all, but not part of, the Equipment listed on the Equipment Schedule AS IS WHERE IS and transfer title to Lessee for the consideration of One Hundred and One Dollar (101.00) and will execute such documentation as necessary to effect such transfer of title to the extent title was conveyed to Lessor. Any instrument of transfer shall contain the following: THE EQUIPMENT TRANSFERRED HEREBY IS TRANSFERRED "AS IS" AND "WHERE IS". THE SELLER MAKES NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS OF ANY KIND WHATSOEVER IN REGARD TO SUCH EQUIPMENT. THE SELLER HEREBY DISCLAIMS ANY AND ALL REPRESENTATIONS AND WARRANTIES IN REGARD TO SUCH EQUIPMENT, INCLUDING, WITHOUT LIMITATION, THOSE OF MERCHANTABILITY OR FITNESS FOR USE OR FITNESS FOR ANY PARTICULAR USE, OR OF QUALIFY, DESIGN, CONDITION, CAPACITY, SUITABILITY OR PERFORMANCE.

17. COST AND EXPENSES

Lessee shall pay to Lessor, on demand, all costs and expenses incurred by Lessor in connection with the execution, delivery, administration and enforcement of this Master Lease, any Equipment Schedule, the transactions contemplated hereby and thereby, and any costs and expenses related hereto or thereto, including without limitation filing fees, registration fees, attorney's

fees and other out-of-pocket expenses.

18. PERFORMANCE BY LESSOR

If Lessee shall fail to perform any obligations under this Master Lease or any Equipment Schedule, Lessor shall have the right, but shall not be obligated, with or without prior notice to Lessee, to perform the same (or, in the case of Lessee's failure to maintain insurance, Lessor may obtain insurance protecting the interest of Lessor only), and the costs thereof, together with interest at the lesser of eighteen percent (18%) per year or the highest lawful rate, shall be immediately payable by Lessee as additional rent for the Equipment.

19. FURTHER ASSURANCES

Lessee shall, at its sole cost and expense, execute and deliver such financial statements, certificates of title and other related documents and take such action as Lessor or any Lessor Transferee may from time to time request for the purpose of continuing and assuring the rights intended to be created by this Lease or any Equipment Schedule, including without limitation, any redocumentation of errors and omissions of this Master Lease and any Equipment Schedule required by any Lessor Transferee or other successor to any interest of Lessor.

20. NOTICES

All notices, demands, requests and other communications under this Master Lease and any Equipment Schedule: (a) shall be in writing; (b) shall be delivered personally or by first class mail addressed to the party at its respective address set forth herein or such other address as such party may designate from time to time in writing; and (c) shall be effective when personally delivered or deposited in the United States mail, duly addressed with postage prepaid.

21. LAW GOVERNING - JURISDICTION, WAIVER OF JURY TRIAL. LESSEE WARRANTS, REPRESENTS AND AGREES THAT: (a) THIS MASTER LEASE AND ANY EQUIPMENT SCHEDULE HAVE BEEN MADE AND ENTERED INTO AS PENNSYLVANIA TRANSACTIONS; (b) THE MASTER LEASE AND ANY EQUIPMENT SCHEDULE SHALL

BE CONSTRUED, INTERPRETED, GOVERNED AND ENFORCED UNDER AND IN ACCORDANCE WITH THE SUBSTANTIVE LAWS (WITHOUT REGARD TO THE PRINCIPLES OF CONFLICT OF LAWS) OF PENNSYLVANIA; (c) JURISDICTION TO HEAR AND DECIDE ANY CASE OR CONTROVERSY ARISING OUT OF, OR TO ENFORCE OR CONSTRUE, THIS MASTER LEASE OR ANY EQUIPMENT SCHEDULE, SHALL EXCLUSIVELY RESIDE AND VEST IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA, OR IN THE COURTS OF THE COMMONWEALTH OF PENNSYLVANIA SITTING IN BUCKS COUNTY; AND (d) THIS SECTION 21 MAY BE ENFORCED BY INJUNCTION, SPECIFIC PERFORMANCE OR ANY OTHER EXTRAORDINARY OR EQUITABLE REMEDY. LESSOR AND LESSEE HEREBY WAIVE THE RIGHT TO TRAIL BY JURY OR ANY MATTERS ARISING OUT OF THIS LEASE OR THE CONDUCT OF THE RELATIONSHIP BETWEEN LESSOR AND LESSEE.

22. MISCELLANEOUS.

This Master Lease, any Equipment Schedule, and any other documents executed herewith or therewith constitute the entire agreement with respect to the subject matter hereof. No oral agreement, representation or warranty shall be binding. Any provision of this Master Lease which is invalid or unenforceable under applicable law shall not affect the remaining provisions hereof, and to this end the provisions hereof are declared to be serverable. Section headings are for convenience of reference only, and shall not affect the interpretation hereof. If more than one Lessee is named herein, the liability of each shall be joint and several. Where appropriate and the context permits, the singular shall include the plural and vice versa. Upon assignment of this Master Lease or any Equipment Schedule or Equipment (or any part hereof or thereof or any interest herein or therein) by Lessor, the term "Lessor" shall include the Assignee. Lessee waives notice and acceptance of this Master Lease and any Equipment Schedule by Lessor. Time is of the essence of this Master Lease and any Equipment Schedule.

23. WAIVER AND AMENDMENT

No waiver or amendment of this Master Lease or any Equipment Schedule, or any provision hereof or thereof, shall be effective unless in writing signed by Lessor. No delay or failure to exercise any right, power or remedy accruing to Lessor upon any default of Lessee shall impair any such right, power and remedy, nor shall it be construed as a waiver of any such default, or an acquiescence therein, or in any similar default thereafter occurring, nor shall any waiver of any single default be deemed a waiver of any other default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of Lessor must be in writing and shall be effectively only to the extent specifically set forth therein.

LESSEE INITIAL /s/ illegible

THIS MASTER LEASE, AND ANY EQUIPMENT SCHEDULE, ARE SUBJECT TO THE TERMS AND CONDITIONS SET FORTH HEREIN.

LESSEE ACKNOWLEDGES RECEIPT OF A COPY OF THIS MASTER LEASE

THIS MASTER LEASE, AND ANY EQUIPMENT SCHEDULE, SHALL BECOME EFFECTIVE ONLY UPON WRITTEN ACCEPTANCE BY LESSOR.

LESSOR:	LESSEE:
DVI FINANCIAL SERVICES INC.	DIGIRAD IMAGING SOLUTIONS, INC.
By: /s/ Mark J. Gallagher	By: /s/ Gary Atkinson
Name: Mark J. Gallagher	Name: Gary Atkinson
Title: Director of Credit	Title: CFO

NO SECURITY INTEREST IN AN EQUIPMENT SCHEDULE MAY BE CREATED THROUGH THE TRANSFER OR POSSESSION OF ANY COUNTERPART OF THE ORIGINAL EQUIPMENT SCHEDULE OTHER THAN THE EQUIPMENT SCHEDULE MARKED "SECURITY PARTY'S ORIGINAL" AND A CERTIFIED COPY OF THE MASTER AGREEMENT.

DVI: Mastlse.csa (11/99)

THIS CONTRACT (AND EQUIPMENT SCHEDULE AND MASTER LEASE THE TERMS OF WHICH IT INCORPORATES) HAS BEEN ASSIGNED TO, IS SUBJECT TO THE SECURITY INTEREST OF AND IS HELD IN TRUST FOR THE BENEFIT OF FLEET BANK N.A., AS AGENT, PURSUANT TO THE TERMS AND CONDITIONS OF A SECURITY AGREEMENT DATED JUNE 14, 1991 AND RELATED DOCUMENTS, AS AMENDED FROM TIME TO TIME.

CERTIFIED TO BE A TRUE AND CORRECT
DOCUMENT AS SUBMITTED TO
DVI FINANCIAL SERVICES, INC.
BY: /s/ illegible
DATE: 6/25/01

Fully Executed Copy

EQUIPMENT SCHEDULE NO. 001
TO
MASTER EQUIPMENT LEASE NO. 2982
("MASTER LEASE")

LESSOR:	DVI Financial Services Inc.
LESSEE:	Digirad Imaging Solutions, Inc.
DATE OF MASTER LEASE:	May 24, 2001
DATE OF EQUIPMENT SCHEDULE:	May 24, 2001
LEASE TERM:	60 Months
COMMENCEMENT DATE:	
RENT COMMENCEMENT DATE:	
MONTHLY RENT:	$6,965.02

IN THE EVENT THERE IS AN INCREASE IN THE THIRTY-ONE (31) MONTH TREASURY NOTE RATE FROM THE RATE QUOTED IN THE PROPOSAL/COMMITMENT LETTER TO THE RATE IN EFFECT ON THE DATE THE SCHEDULE FUNDS, THEN LESSOR RESERVES THE RIGHT TO ADJUST THE MONTHLY RENT SET FORTH IN THE SCHEDULE BY INCREASING THE MONTHLY RENT BY THAT SAME RATE OF INCREASE.

SALES/USE TAX:	Sales tax to be paid on the stream
ADVANCE PAYMENTS:	N/A

EQUIPMENT:
REFER TO THE ATTACHED EXHIBIT "A" WHICH BY THIS REFERENCE IS MADE A PART HEROF, TOGETHER WITH ALL PARTS, ACCESSORIES, ATTACHMENTS, ACCESSIONS, ADDITIONS, REPLACEMENTS, AND SUBSTITUTIONS THERETO AND THEREFOR.

EQUIPMENT LOCATION: Mobile Unit services contract in Florida

MASTER LEASE:
This Equipment Schedule is issued pursuant to the Master Lease. All of terms, conditions representations and warranties of the Master Lease are hereby incorporated by reference herein and made a part hereof as if they were expressly set forth in this Equipment Schedule and this Equipment Schedule constitutes a separate lease with respect to the Equipment described herein. The parties hereby reaffirm all of the terms, conditions, representations and warranties of the Master Lease except as modified herein, by their execution and delivery of this Equipment Schedule.

DVI FINANCIAL SERVICES INC.	DIGIRAD IMAGING SOLUTIONS, INC.
(Lessor)	(Lessee)
By: /s/ Mark Gallgher	By: /s/ Gary Atkinson
Title: Director of Credit	Title: CFO
Mark J. Gallagher	Gary Atkinson
(Print Name)	(Print Name)

THIS CONTRACT (AND EQUIPMENT SCHEDULE AND MASTER LEASE THE TERMS OF WHICH IT INCORPORATES) HAS BEEN ASSIGNED TO, IS SUBJECT TO THE SECURITY INTEREST OF AND IS HELD IN TRUST FOR THE BENEFIT OF FLEET BANK N.A., AS AGENT, PURSUANT TO THE TERMS AND CONDITIONS OF A SECURITY AGREEMENT DATED JUNE 14, 1991 AND RELATED DOCUMENTS, AS AMENDED FROM TIME
TO TIME. SECURED PARTY'S ORIGINAL

EXHIBIT "A"

EQUIPMENT:
One (1) Mobile Nuclear System, one (1) Ford E250 Van, vin # 1FTNS24LOYHBS6424, one (1) Digirad 2020tc Gamma Camera, SN100, one (1) Digirad SPECTour Chair, SN116 and one (1) Van Modification Ability Center.

CONTRACT RIGHTS:
Mobile Imaging Service Agreement by and between Orion Imaging Systems, Inc. ("Orion") and Dr. Blanca Luna dated February 22, 2001.

Fully Executed Copy

EQUIPMENT SCHEDULE NO. 002
TO
MASTER EQUIPMENT LEASE NO. 2982
("MASTER LEASE")

LESSOR:	DVI Financial Services Inc.
LESSEE:	Digirad Imaging Solutions, Inc.
DATE OF MASTER LEASE:	May 24, 2001
DATE OF EQUIPMENT SCHEDULE:	May 30, 2001
LEASE TERM:	60 Months
COMMENCEMENT DATE:	
RENT COMMENCEMENT DATE:	
MONTHLY RENT:	$6,965.02

IN THE EVENT THERE IS AN INCREASE IN THE THIRTY-ONE (31) MONTH TREASURY NOTE RATE FROM THE RATE QUOTED IN THE PROPOSAL/COMMITMENT LETTER TO THE RATE IN EFFECT ON THE DATE THE SCHEDULE FUNDS, THEN LESSOR RESERVES THE RIGHT TO ADJUST THE MONTHLY RENT SET FORTH IN THE SCHEDULE BY INCREASING THE MONTHLY RENT BY

THAT SAME RATE OF INCREASE.

SALES/USE TAX: Sales tax to be paid on the stream

ADVANCE PAYMENTS: N/A

EQUIPMENT:
REFER TO THE ATTACHED EXHIBIT "A" WHICH BY THIS REFERENCE IS MADE A PART HEROF, TOGETHER WITH ALL PARTS, ACCESSORIES, ATTACHMENTS, ACCESSIONS, ADDITIONS, REPLACEMENTS, AND SUBSTITUTIONS THERETO AND THEREFOR.

EQUIPMENT LOCATION: Mobile Unit services contract in New Jersey

MASTER LEASE:
This Equipment Schedule is issued pursuant to the Master Lease. All of terms, conditions representations and warranties of the Master Lease are hereby incorporated by reference herein and made a part hereof as if they were expressly set forth in this Equipment Schedule and this Equipment Schedule constitutes a separate lease with respect to the Equipment described herein. The parties hereby reaffirm all of the terms, conditions, representations and warranties of the Master Lease except as modified herein, by their execution and delivery of this Equipment Schedule.

DVI FINANCIAL SERVICES INC.	DIGIRAD IMAGING SOLUTIONS, INC.
(Lessor)	(Lessee)
By: /s/ Mark Gallgher	By: /s/ Gary Atkinson
Title: Director of Credit	Title: CFO
Mark J. Gallagher	Gary Atkinson
(Print Name)	(Print Name)

THIS CONTRACT (AND EQUIPMENT SCHEDULE AND MASTER LEASE THE TERMS OF WHICH IT INCORPORATES) HAS BEEN ASSIGNED TO, IS SUBJECT TO THE SECURITY INTEREST OF AND IS HELD IN TRUST FOR THE BENEFIT OF FLEET BANK N.A., AS AGENT, PURSUANT TO THE TERMS AND CONDITIONS OF A SECURITY AGREEMENT DATED JUNE 14, 1991 AND RELATED DOCUMENTS, AS AMENDED FROM TIME
TO TIME. SECURED PARTY'S ORIGINAL

EXHIBIT "A"

EQUIPMENT:
One (1) Mobile Nuclear System, one (1) Ford E250 Van, vin # 1FTNS24L1YHB77928, one (1) Digirad 2020tc Gamma Camera, SN88, one (1) Digirad SPECTour Chair, SN118 and one (1) Van Modification Ability Center.

EQUIPMENT SCHEDULE NO. 003
TO
MASTER EQUIPMENT LEASE NO. 2982
("MASTER LEASE")

LESSOR: DVI Financial Services Inc.

LESSEE: Digirad Imaging Solutions, Inc.

DATE OF MASTER LEASE: May 24, 2001

DATE OF EQUIPMENT SCHEDULE: June 12, 2001

LEASE TERM: 60 Months

COMMENCEMENT DATE:

RENT COMMENCEMENT DATE:

MONTHLY RENT: $7,010.66

IN THE EVENT THERE IS AN INCREASE IN THE THIRTY-ONE (31) MONTH TREASURY NOTE RATE FROM THE RATE QUOTED IN THE PROPOSAL/COMMITMENT LETTER TO THE RATE IN EFFECT ON THE DATE THE SCHEDULE FUNDS, THEN LESSOR RESERVES THE RIGHT TO ADJUST THE MONTHLY RENT SET FORTH IN THE SCHEDULE BY INCREASING THE MONTHLY RENT BY THAT SAME RATE OF INCREASE.

SALES/USE TAX: Sales tax to be paid on the stream

ADVANCE PAYMENTS: N/A

EQUIPMENT:
REFER TO THE ATTACHED EXHIBIT "A" WHICH BY THIS REFERENCE IS MADE A PART HEROF, TOGETHER WITH ALL PARTS, ACCESSORIES, ATTACHMENTS, ACCESSIONS, ADDITIONS, REPLACEMENTS, AND SUBSTITUTIONS THERETO AND THEREFOR.

EQUIPMENT LOCATION: Mobile Unit services contracts in Florida

MASTER LEASE:
This Equipment Schedule is issued pursuant to the Master Lease. All of terms, conditions representations and warranties of the Master Lease are hereby incorporated by reference herein and made a part hereof as if they were expressly set forth in this Equipment Schedule and this Equipment Schedule constitutes a separate lease with respect to the Equipment described herein. The parties hereby reaffirm all of the terms, conditions, representations and warranties of the Master Lease except as modified herein, by their execution and delivery of this Equipment Schedule.

DVI FINANCIAL SERVICES INC.	DIGIRAD IMAGING SOLUTIONS, INC.
(Lessor)	(Lessee)
By: /s/ Mark Gallgher	By: /s/ Gary Atkinson
Title: Director of Credit	Title: CFO
Mark J. Gallagher	Gary Atkinson
(Print Name)	(Print Name)

THIS CONTRACT (AND EQUIPMENT SCHEDULE AND MASTER LEASE THE TERMS OF WHICH IT INCORPORATES) HAS BEEN ASSIGNED TO, IS SUBJECT TO THE SECURITY INTEREST OF AND IS HELD IN TRUST FOR THE BENEFIT OF FLEET BANK N.A., AS AGENT, PURSUANT TO THE TERMS AND CONDITIONS OF A SECURITY AGREEMENT DATED JUNE 14, 1991 AND RELATED DOCUMENTS, AS AMENDED FROM TIME
TO TIME. SECURED PARTY'S ORIGINAL

EXHIBIT "A"

EQUIPMENT:
One (1) Mobile Nuclear System, one (1) Ford E250 Van, vin # 1FTNS24LX1HA58281, one (1) Digirad 2020tc Gamma Camera, SN129, one (1) Digirad SPECTour Chair, SN103 and one (1) Van Modification Ability Center.

RIDER TO MASTER EQUIPMENT LEASE NO. 2982

THIS RIDER (the "Rider") dated effective as of May 24, 2001 is entered into by and between DVI FINANCIAL SERVICES INC. ("LESSOR") and DIGIRAD IMAGING SOLUTIONS, INC. ("LESSEE").

BACKGROUND

A. Lessor and Lessee have entered into that certain Master Equipment Lease No. 2982 dated May 24,2001 (the "LEASE"), certain Equipment Schedules attached thereto and other related documents, instruments and agreements (collectively, the "LEASE DOCUMENTS")

B. At Lessee's request, Lessor has agreed to modify the Lease Documents in accordance with the terms and conditions hereof.

NOW, THEREFORE, FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. AMENDMENTS. The Lease shall be and is hereby amended as follows:

a) SECTION 8 (ii) is hereby deleted.

b) SECTION 10 the third sentence is hereby deleted.

c) SECTION 15(b)(iv) is hereby amended and restated as follows "sell or Lease the Equipment or any part thereof at public or private sale for cash, on credit or otherwise, with or without representations or warranties, and upon such commercially reasonable terms as shall be acceptable to Lessor;"

d) SECTION 15(b)(vi)(a) is hereby amended and restated as follows "all rent and other amounts due hereunder, plus, as liquidated damages for loss of a bargain and not as a penalty, and in lieu of any further payments of rent for the Equipment, an amount equal to Lessor's Return for such Equipment ("Lessor's Return" shall mean if the applicable Equipment Schedule provides for Stipulated Loss Values, the applicable Stipulated Loss Value, and, otherwise, the present value, discounted at six and a half percent (6.5%), of all unpaid rent payments to become due during the remaining lease term;"

e) SECTION 15(b)(vi)(e) is hereby amended and restated as follows "any actual or anticipated loss in tax benefits to Lessor (as reasonably determined by Lessor) resulting from the default or Lessor's repossession or disposition of the equipment:"

f) SECTION 16 is hereby amended and restated as follows "at the end of the Equipment Schedule term, Lessor will sell all, but not part of, the Equipment listed on an Equipment Schedule,"

2. EFFECT OF RIDER. All terms and conditions of the Lease not expressly modified hereby shall remain in full force and effect and are hereby ratified and confirmed by the parties hereto.

3. INCONSISTENCIES. To the extent of any inconsistencies between the terms of this Rider and the Lease, the terms of this Rider shall prevail.

4. GOVERNING LAW. This Rider shall be governed by the laws of the Commonwealth of Pennsylvania (without giving effect to any principles of conflicts of law).

IN WITNESS WHEREOF, the parties hereto have executed this Rider effective as of the date first above written.

DVI FINANCIAL SERVICES INC. SOLUTIONS, INC.	DIGIRAD IMAGING
(Lessor)	(Lessee)
By: /s/ Mark Gallgher	By: /s/ Gary Atkinson
Name: Mark J. Gallagher	Name: Gary Atkinson
Title: Director of Credit	Title: CFO

THIS CONTRACT (AND EQUIPMENT SCHEDULE AND MASTER LEASE THE TERMS OF WHICH IT INCORPORATES) HAS BEEN ASSIGNED TO, IS SUBJECT TO THE SECURITY INTEREST OF AND IS HELD IN TRUST FOR THE BENEFIT OF FLEET BANK N.A., AS AGENT, PURSUANT TO THE TERMS AND CONDITIONS OF A SECURITY AGREEMENT DATED JUNE 14, 1991 AND RELATED DOCUMENTS, AS AMENDED FROM TIME TO TIME.

CERTIFIED TO BE A TRUE AND CORRECT
DOCUMENT AS SUBMITTED TO
DVI FINANCIAL SERVICES, INC.
BY: /s/ illegible
DATE: 6/25/01

DIGIRAD CORPORATION

1998 STOCK OPTION/STOCK ISSUANCE PLAN
(Amended and Restated as of November 5, 2002)

ARTICLE ONE

GENERAL PROVISIONS

I. PURPOSE OF THE PLAN

This 1998 Stock Option/Stock Issuance Plan is intended to promote the interests of Digirad Corporation by providing eligible persons with the opportunity to acquire a proprietary interest, or otherwise increase their proprietary interest, in the Corporation as an incentive for them to remain in the service of the Corporation.

Capitalized terms shall have the meanings assigned to such terms in the attached Appendix.

II. STRUCTURE OF THE PLAN

A. The Plan shall be divided into two separate equity programs:

- the Discretionary Option Grant Program under which eligible persons may, at the discretion of the Plan Administrator, be granted options to purchase shares of Common Stock, and

- the Stock Issuance Program under which eligible persons may, at the discretion of the Plan Administrator, be issued shares of Common Stock directly, either through the immediate purchase of such shares or as a bonus for services rendered the Corporation (or any Parent or Subsidiary).

B. The provisions of Articles One and Four shall apply to all equity programs under the Plan and shall govern the interests of all persons under the Plan.

III. ADMINISTRATION OF THE PLAN

A. Except as provided in Paragraph B of this Section III, the Plan shall be administered by the Board or one or more committees appointed by the Board, provided that (1) beginning with the Section 12 Registration Date, the Primary Committee shall have sole and exclusive authority to administer the Plan with respect to Section 16 Insiders, and (2) administration of the Plan may otherwise, at the Board's discretion, be vested in the Primary Committee or a Secondary Committee.

B. Members of the Primary Committee or any Secondary Committee shall serve for such period of time as the Board may determine and may be removed by the Board at any time. The Board may also at any time terminate the functions of any Secondary Committee and reassume all powers and authority previously delegated to such committee.

C. Each Plan Administrator shall, within the scope of its administrative functions under the Plan, have full power and authority (subject to the provisions of the Plan) to establish such rules and regulations as it may deem appropriate for proper administration of the Discretionary Option Grant and Stock Issuance Programs and to make such determinations under, and issue such interpretations of, the provisions of such programs and any outstanding options or stock issuances thereunder as it may deem necessary or advisable. Decisions of the Plan Administrator within the scope of its administrative functions under the Plan shall be final and binding on all parties who have an interest in the Discretionary Option Grant and Stock Issuance Programs under its jurisdiction or any option or stock issuance thereunder.

D. Service on the Primary Committee or the Secondary Committee shall constitute service as a Board member, and members of each such committee shall accordingly be entitled to full indemnification and reimbursement as Board members for their service on such committee. No member of the Primary Committee or the Secondary Committee shall be liable for any act or omission made in good faith with respect to the Plan or any option grants or stock issuances under the Plan.

IV. ELIGIBILITY

A. The persons eligible to participate in the Discretionary Option Grant and Stock Issuance Programs are as follows:

(i) Employees,

(ii) non-employee members of the Board or the board of directors of any Parent or Subsidiary, and

(iii) consultants and other independent advisors who provide services to the Corporation (or any Parent or Subsidiary).

B. Each Plan Administrator shall, within the scope of its administrative jurisdiction under the Plan, have full authority to determine, (i) with respect to the option grants under the Discretionary Option Grant Program, which eligible persons are to receive option grants, the time or times when such option grants are to be made, the number of shares to be covered by each such grant, the status of the granted option as either an Incentive Option or a Non-Statutory Option, the time or times when each option is to become exercisable, the vesting schedule (if any) applicable to the option shares and the maximum term for which the option is to remain outstanding and (ii) with respect to stock issuances under the Stock Issuance Program, which eligible

persons are to receive stock issuances, the time or times when such issuances are to be made, the number of shares to be issued to each Participant, the vesting schedule (if any) applicable to the issued shares and the consideration for such shares.

C. The Plan Administrator shall have the absolute discretion either to grant options in accordance with the Discretionary Option Grant Program or to effect stock issuances in accordance with the Stock Issuance Program.

V. STOCK SUBJECT TO THE PLAN

A. The stock issuable under the Plan shall be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Corporation on the open market. The maximum number of shares of Common Stock initially reserved for issuance over the term of the Plan shall not exceed 5,876,153 shares. Such share reserve includes (i) 1,720,659 shares that were initially reserved for issuance by the Board on December 17, 1998 and approved by the stockholders on February 1, 1999, plus (ii) an additional 1,000,000 shares that were approved for issuance by the Board on March 9, 2000 and by the stockholders on November 14, 2000, plus (iii) an additional 1,200,000 shares that were approved for issuance by the Board and stockholders on November 14, 2000, plus (iv) an additional 1,500,000 shares that were approved for issuance by the Board on May 15, 2001 and by the stockholders on June 25, 2001, plus (v) effective immediately following and contingent upon a 1-for-200 reverse split of the Company's capital stock (the "Stock Split") effected on October 23, 2002, an additional 4,849,050 shares that were approved for issuance by the Board and stockholders on October 18, 2002, plus (vi) an additional 1,000,000 shares that were approved for issuance by the Board on November 5, 2002 and by the stockholders on November 5, 2002. Such 5,876,153 share reserve shall be in addition to the 13,671 shares issued or reserved for issuance under the Corporation's 1997 Stock Option/Stock Issuance Plan following the Stock Split.

B. Shares of Common Stock subject to outstanding options shall be available for subsequent issuance under the Plan to the extent those options expire or terminate for any reason prior to exercise in full. Unvested shares issued under the Plan and subsequently cancelled or repurchased by the Corporation, at the original issue price paid per share, pursuant to the Corporation's repurchase rights under the Plan shall be added back to the number of shares of Common Stock reserved for issuance under the Plan.

C. If any change is made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, appropriate adjustments shall be made to (i) the maximum number and/or class of securities issuable under the Plan, (ii) the number and/or class of securities for which any one person may be granted stock options, separately exercisable stock appreciation rights and direct stock issuances under this Plan per calendar year, and (iii) the number and/or class of securities and the exercise price per share in effect under each outstanding option under the Plan. Such adjustments to the outstanding options are to be effected in a manner which shall preclude the enlargement or dilution of rights and benefits under such options. The adjustments deter-mined by the Plan Administrator shall be final, binding and conclusive.

ARTICLE TWO

DISCRETIONARY OPTION GRANT PROGRAM

I. OPTION TERMS

Each option shall be evidenced by one or more documents in the form approved by the Plan Administrator; provided, however, that each such document shall comply with the

terms specified below. Each document evidencing an Incentive Option shall, in addition, be subject to the provisions of the Plan applicable to such options.

A. Exercise Price.

1. The exercise price per share shall be fixed by the Plan Administrator but shall not be less than eighty-five percent (85%) of the Fair Market Value per share of Common Stock on the option grant date, provided that the Plan Administrator may fix the exercise price at less than 85% if the optionee, at the time of the option grant, shall have made a payment to the Company (including payment made by means of a salary reduction) equal to the excess of the Fair Market Value of the Common Stock on the option grant date over such exercise price.

2. The exercise price shall become immediately due upon exercise of the option and may, subject to the provisions of Section I of Article Four and the documents evidencing the option, be payable in one or more of the forms specified below:

(i) cash or check made payable to the Corporation,

(ii) with respect to the exercise of options after the Section 12 Registration Date, shares of Common Stock held for the requisite period necessary to avoid a charge to the Corporation's earnings for financial reporting purposes and valued at Fair Market Value on the Exercise Date, or

(iii) with respect to the exercise of options for vested shares after the Section 12 Registration Date and to the extent the sale complies with all applicable laws relating to the regulation and sale of securities, through a special sale and remittance procedure pursuant to which the Optionee shall concurrently provide irrevocable written instructions to (a) a Corporation-designated brokerage firm to effect the immediate sale of the purchased shares and remit to the Corporation, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate exercise price payable for the purchased shares plus all applicable Federal, state and local income and employment taxes required to be withheld by the Corporation by reason of such exercise, and (b) the Corporation to deliver the certificates for the purchased shares directly to such brokerage firm in order to complete the sale.

Except to the extent such sale and remittance procedure is utilized, payment of the exercise price for the purchased shares must be made on the Exercise Date.

B. **Exercise and Term of Options**. Each option shall be exercisable at such time or times, during such period and for such number of shares as shall be determined by the Plan Administrator and set forth in the documents evidencing the option. However, no option shall have a term in excess of ten (10) years measured from the option grant date.

C. **Effect of Termination of Service**.

1. The following provisions shall govern the exercise of any options held by the Optionee at the time of cessation of Service or death:

(i) Any option outstanding at the time of the Optionee's cessation of Service for any reason shall remain exercisable for such period of time thereafter as shall be determined by the Plan Administrator and set forth in the documents evidencing the option (which shall in no event be less than six (6) months in the case of death or disability nor less than thirty (30) days in the case of any other cessation of Service), provided no such option shall be exercisable after the expiration of the option term.

(ii) Any option exercisable in whole or in part by the Optionee at the time of death may be subsequently exercised by the personal representative of the Optionee's estate or by the person or persons to whom the option is transferred pursuant to the Optionee's will or in accordance with the laws of descent and distribution.

(iii) Subject to clause C.2.(ii) below of this Section I, during the applicable post-Service exercise period, the option may not be exercised in the aggregate for more than the number of vested shares for which the option is exercisable on the date of the Optionee's cessation of Service. Upon the expiration of the applicable exercise period or (if earlier) upon the expiration of the option term, the option shall terminate and cease to be outstanding for any vested shares for which the option has not been exercised.

2. The Plan Administrator shall have complete discretion, exercisable either at the time an option is granted or at any time while the option remains outstanding, to:

(i) extend the period of time for which the option is to remain exercisable following the Optionee's cessation of Service from the limited exercise period otherwise in effect for that option to such greater period of time as the Plan Administrator shall deem appropriate, but in no event beyond the expiration of the option term, and/or

(ii) permit the option to be exercised, during the applicable post-Service exercise period, not only with respect to the number of vested shares of Common Stock for which such option is exercisable at the time of the Optionee's cessation of Service but also with respect to one or more additional installments in which the Optionee would have vested had the Optionee continued in Service.

D. **Stockholder Rights**. The holder of an option shall have no stockholder rights with respect to the shares subject to the option until such person shall have exercised the option, paid the exercise price and become a holder of record of the purchased shares.

E. **Repurchase Rights**. The Plan Administrator shall have the discretion to grant options which are exercisable for unvested shares of Common Stock and to reserve the right to repurchase any or all of those unvested shares should the optionee thereafter cease to be in Service to the Corporation. The terms upon which such repurchase right shall be exercisable (including the period and procedure for exercise and the appropriate vesting schedule for the purchased shares) shall be established by the Plan Administrator and set forth in the document evidencing such repurchase right.

F. **Limited Transferability of Options**. During the lifetime of the Optionee, options shall be exercisable only by the Optionee and shall not be assignable or transferable other than by will or by the laws of descent and distribution following the Optionee's death.

II. INCENTIVE OPTIONS

The terms specified below shall be applicable to all Incentive Options. Except as modified by the provisions of this Section II, all the provisions of Articles One, Two and Four shall be applicable to Incentive Options. Options which are specifically designated as Non-Statutory Options when issued under the Plan shall not be subject to the terms of this Section II.

A. **Eligibility**. Incentive Options may only be granted to Employees.

B. **Exercise Price**. The exercise price per share shall not be less than one hundred percent (100%) of the Fair Market Value per share of Common Stock on the option grant date.

C. **Dollar Limitation**. The aggregate Fair Market Value of the shares of Common Stock (determined as of the respective date or dates of grant) for which one or more options granted to any Employee under the Plan (or any other option plan of the Corporation or any Parent or Subsidiary) may for the first time become exercisable as Incentive Options during any one calendar year shall not exceed the sum of One Hundred Thousand Dollars ($100,000). To the extent the Employee holds two (2) or more such options which become exercisable for the first time in the same calendar year, the foregoing limitation on the exercisability of such options as Incentive Options shall be applied on the basis of the order in which such options are granted.

D. **10% Stockholder**. If any Employee to whom an Incentive Option is granted is a 10% Stockholder, then the exercise price per share shall not be less than one hundred ten percent (110%) of the Fair Market Value per share of Common Stock on the option grant date, and the option term shall not exceed five (5) years measured from the option grant date.

III. CANCELLATION AND REGRANT OF OPTIONS

The Plan Administrator shall have the authority to effect, at any time and from time to time, with the consent of the affected option holders, the cancellation of any or all outstanding options under the Discretionary Option Grant Program and to grant in substitution new options covering the same or different number of shares of Common Stock but with an exercise price per share based on the Fair Market Value per share of Common Stock on the new grant date.

ARTICLE THREE

STOCK ISSUANCE PROGRAM

I. STOCK ISSUANCES

Shares of Common Stock may be issued under the Stock Issuance Program through direct and immediate issuances without any intervening option grants. Each such stock

issuance shall be evidenced by a Stock Issuance Agreement which complies with the terms specified below.

II. STOCK ISSUANCE TERMS

A. Purchase Price.

1. The purchase price per share shall be fixed by the Plan Administrator, but shall not be less than eighty-five percent (85%) of the Fair Market Value per share of Common Stock on the issuance date.

2. Subject to the provisions of Section I of Article Four, shares of Common Stock may be issued under the Stock Issuance Program for any of the following items of consideration which the Plan Administrator may deem appropriate in each individual instance:

(i) cash or check made payable to the Corporation, or

(ii) past services rendered to the Corporation (or any Parent or Subsidiary).

B. Vesting Provisions.

1. Shares of Common Stock issued under the Stock Issuance Program may, in the discretion of the Plan Administrator, be fully and immediately vested upon issuance or may vest in one or more installments over the Participant's period of Service or upon attainment of specified performance objectives. The elements of the vesting schedule applicable to any unvested shares of Common Stock issued under the Stock Issuance Program, namely:

(i) the Service period to be completed by the Participant or the performance objectives to be attained,

(ii) the number of installments in which the shares are to vest,

(iii) the interval or intervals (if any) which are to lapse between installments, and

(iv) the effect which death, Permanent Disability or other event designated by the Plan Administrator is to have upon the vesting schedule,

shall be determined by the Plan Administrator and incorporated into the Stock Issuance Agreement.

2. Any new, substituted or additional securities or other property (including money paid other than as a regular cash dividend) which the Participant may have the right to receive with respect to the Participant's unvested shares of Common Stock by reason of any stock dividend, stock split, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration shall be issued subject to (i) the same vesting requirements applicable to

the Participant's unvested shares of Common Stock and (ii) such escrow arrangements as the Plan Administrator shall deem appropriate.

3. The Participant shall have full stockholder rights with respect to any shares of Common Stock issued to the Participant under the Stock Issuance Program, whether or not the Participant's interest in those shares is vested. Accordingly, the Participant shall have the right to vote such shares and to receive any regular cash dividends paid on such shares.

4. Should the Participant cease to remain in Service while holding one or more unvested shares of Common Stock issued under the Stock Issuance Program or should the performance objectives not be attained with respect to one or more such unvested shares of Common Stock, then those shares shall be immediately surrendered to the Corporation for cancellation, and the Participant shall have no further stockholder rights with respect to those shares. To the extent the surrendered shares were previously issued to the Participant for consideration paid in cash or cash equivalent (including the Participant's purchase-money indebtedness), the Corporation shall repay to the Participant the cash consideration paid for the surrendered shares and shall cancel the unpaid principal balance of any outstanding purchase-money note of the Participant attributable to the surrendered shares.

5. The Plan Administrator may in its discretion waive the surrender and cancellation of one or more unvested shares of Common Stock which would otherwise occur upon the cessation of the Participant's Service or the non-attainment of the performance objectives applicable to those shares. Such waiver shall result in the immediate vesting of the Participant's interest in the shares as to which the waiver applies. Such waiver may be effected at any time, whether before or after the Participant's cessation of Service or the attainment or non-attainment of the applicable performance objectives.

ARTICLE FOUR

MISCELLANEOUS

I. FINANCING

The Plan Administrator may permit any Optionee or Participant to pay the option exercise price under the Discretionary Option Grant Program or the purchase price of shares issued under the Stock Issuance Program by delivering a full-recourse, interest bearing promissory note payable in one or more installments. The terms of any such promissory note (including the interest rate and the terms of repayment) shall be established by the Plan Administrator in its sole discretion. In no event may the maximum credit available to the Optionee or Participant exceed the sum of (i) the aggregate option exercise price or purchase price payable for the purchased shares plus (ii) any Federal, state and local income and employment tax liability incurred by the Optionee or the Participant in connection with the option exercise or share purchase.

II. SHARE ESCROW/LEGENDS

Unvested shares issued under the Plan may, in the Plan Administrator's discretion, be held in escrow by the Corporation until the Participant's interest in such shares vests or may be issued directly to the Participant with restrictive legends on the certificates evidencing those unvested shares.

III. CORPORATE TRANSACTION

A. Except as otherwise provided in the agreements evidencing an option, each outstanding option under the Discretionary Option Grant Program shall automatically accelerate in the event of a Corporate Transaction so that each such option shall, immediately prior to the effective date of the Corporate Transaction, become fully exercisable with respect to the total number of shares of Common Stock at the time subject to such option and may be exercised for any or all of those shares as fully-vested shares of Common Stock, provided that an outstanding option shall not so accelerate if and to the extent: (i) such option is, in connection with the Corporate Transaction, either to be assumed by the successor corporation (or parent thereof) or to be replaced with a comparable option to purchase shares of the capital stock of the successor corporation (or parent thereof), (ii) such option is to be replaced with a cash incentive program of the successor corporation which preserves the spread existing on the unvested option shares at the time of the Corporate Transaction and provides for subsequent payout in accordance with the same vesting schedule applicable to those option shares or (iii) the acceleration of such option is subject to other limitations imposed by the Plan Administrator at the time of the option grant. The determination of option comparability under clause (i) above shall be made by the Plan Administrator, and its determination shall be final, binding and conclusive.

B. Except as otherwise provided in the agreements creating the repurchase rights, outstanding repurchase rights, if any, shall terminate automatically, and the shares of Common Stock subject to those terminated rights shall immediately vest in full, in the event of any Corporate Transaction, provided that such repurchase right shall not lapse to the extent: (i) those repurchase rights are to be assigned to the successor corporation (or parent thereof) in connection with such Corporate Transaction or (ii) such accelerated vesting is precluded by other limitations imposed by the Plan Administrator at the time the option is issued or the repurchase right is created.

C. Immediately following the consummation of the Corporate Transaction, all outstanding options shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof).

D. Each option which is assumed in connection with a Corporate Transaction shall be appropriately adjusted, immediately after such Corporate Transaction, to apply to the number and class of securities which would have been issuable to the Optionee in consummation of such Corporate Transaction had the option been exercised immediately prior to such Corporate Transaction. Appropriate adjustments to reflect such Corporate Transaction shall also be made to (i) the exercise price payable per share under each outstanding option, provided the aggregate exercise price payable for such securities shall remain the same, (ii) the maximum number and/or class of securities available for issuance over the remaining term of the Plan and

(iii) the maximum number and/or class of securities for which any one person may be granted stock options, separately exercisable stock appreciation rights and direct stock issuances under the Plan per calendar year.

E. Repurchase rights which are assigned in connection with a Corporate Transaction shall be exercisable with respect to the property issued to the Optionee of Participant upon consummation of such Corporate Transaction in exchange for the Common Stock held by the Optionee or Participant subject to the repurchase rights immediately prior to the Corporate Transaction.

F. Except as otherwise limited by the Plan Administrator at the time an Option is granted, vesting under outstanding options will automatically accelerate in the event the Optionee's Service subsequently terminates by reason of an Involuntary Termination within twenty-four (24) months following the effective date of any Corporate Transaction in which those options are assumed or replaced and do not otherwise accelerate. Any options so accelerated shall remain exercisable for fully-vested shares until the earlier of (i) the expiration of the option term or (ii) the expiration of the one (1)-year period measured from the effective date of the Involuntary Termination. The portion of any Incentive Option accelerated in connection with a Corporate Transaction or Change in Control shall remain exercisable as an Incentive Option only to the extent the applicable One Hundred Thousand Dollar limitation is

not exceeded and the provisions governing the exercise and holding period are met. To the extent such dollar limitation is exceeded, the accelerated portion of such option shall be exercisable as a Non-Statutory Option under the Federal tax laws.

G. Except as otherwise limited by the Plan Administrator at the time the option is granted under the Discretionary Option Program or the repurchase rights are created, the outstanding repurchase rights with respect to shares held by an Optionee or Participant will automatically lapse and cease to be exercisable in the event the Optionee's or the Participant's Service subsequently terminates by means of an Involuntary Termination within twenty-four (24) months following the effective date of any Corporate Transaction in which those repurchase rights are assigned or otherwise continue.

H. The outstanding options or repurchase rights shall in no way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

IV. CHANGE IN CONTROL

A. In the event of any Change in Control, each outstanding option under the Discretionary Option Grant Program shall automatically accelerate so that each such option shall, immediately prior to the effective date of the Change in Control, become fully exercisable with respect to the total number of shares of Common Stock at the time subject to such option and may be exercised for any or all of those shares as fully-vested shares of Common Stock.

B. Outstanding repurchase rights, if any, shall terminate automatically, and the shares of Common Stock subject to those terminated rights shall immediately vest in full, in the event of any Change in Control.

V. VESTING

Notwithstanding any other provision of this agreement, the vesting schedule imposed with respect to any option grant or share issuance shall not result in the Optionee or Participant vesting in fewer than 20% per year for five years from the date of the option grant or share issuance.

VI. TAX WITHHOLDING

A. The Corporation's obligation to deliver shares of Common Stock upon the exercise of options or the issuance or vesting of such shares under the Plan shall be subject to the satisfaction of all applicable Federal, state and local income and employment tax withholding requirements.

B. The Plan Administrator may, in its discretion, provide any or all holders of Non-Statutory Options or unvested shares of Common Stock under the Plan with the right to use shares of Common Stock in satisfaction of all or part of the Taxes incurred by such holders in connection with the exercise of their options or the vesting of their shares. Such right may be provided to any such holder in either or both of the following formats:

Stock Withholding: The election to have the Corporation withhold, from the shares of Common Stock otherwise issuable upon the exercise of such Non-Statutory Option or the vesting of such shares, a portion of those shares with an aggregate Fair Market Value equal to the percentage of the Taxes (not to exceed one hundred percent (100%)) designated by the holder.

Stock Delivery: The election to deliver to the Corporation, at the time the Non-Statutory Option is exercised or the shares vest, one or more shares of Common Stock previously acquired by such holder (other than in connection with the option exercise or share vesting triggering the Taxes) with an aggregate Fair Market Value equal to the percentage of the Taxes (not to exceed one hundred percent (100%)) designated by the holder.

VII. EFFECTIVE DATE AND TERM OF THE PLAN

A. The Plan shall become effective immediately upon the Plan Effective Date. Options may be granted under the Discretionary Option Grant at any time on or after the Plan Effective Date. However, no options granted under the Plan may be exercised, and no shares shall be issued under the Plan, until the Plan is approved by the Corporation's stockholders. If such stockholder approval is not obtained within twelve (12) months after the Plan Effective Date, then all options previously granted under this Plan shall terminate and cease to be outstanding, and no further options shall be granted and no shares shall be issued under the Plan.

B. All options outstanding as of the Plan Effective Date shall be incorporated into the Plan at that time and shall be treated as outstanding options under the Plan. However, each outstanding option so incorporated shall continue to be governed solely by the terms of the documents evidencing such option, and no provision of the Plan shall be deemed to affect or otherwise modify the rights or obligations of the holders of such incorporated options with respect to their acquisition of shares of Common Stock.

C. The Plan shall terminate upon the earliest of (i) the tenth anniversary of the Plan Effective Date, (ii) the date on which all shares available for issuance under the Plan shall have been issued as fully-vested shares or (iii) the termination of all outstanding options in connection with a Corporate Transaction. Upon such plan termination, all outstanding option grants and unvested stock issuances shall thereafter continue to have force and effect in accordance with the provisions of the documents evidencing such grants or issuances.

VIII. AMENDMENT OF THE PLAN

A. The Board shall have complete and exclusive power and authority to amend or modify the Plan in any or all respects. However, no such amendment or modification shall adversely affect the rights and obligations with respect to stock options or unvested stock issuances at the time outstanding under the Plan unless the Optionee or the Participant consents to such amend-ment or modification. In addition, certain amendments may require stockholder approval if so determined by the Board or pursuant to applicable laws or regulations.

B. Options to purchase shares of Common Stock may be granted under the Discretionary Option Grant and shares of Common Stock may be issued under the Stock Issuance Program that are in each instance in excess of the number of shares then available for issuance under the Plan, provided any excess shares actually issued under those programs shall be held in escrow until there is obtained any required approval of an amendment sufficiently increasing the number of shares of Common Stock available for issuance under the Plan. If such approval is not obtained within twelve (12) months after the date the first such excess issuances are made, then (i) any unexercised options granted on the basis of such excess shares shall terminate and cease to be outstanding and (ii) the Corporation shall promptly refund to the Optionees and the Participants the exercise or purchase price paid for any excess shares issued under the Plan and held in escrow, together with interest (at the applicable Short Term Federal Rate) for the period the shares were held in escrow, and such shares shall thereupon be automatically cancelled and cease to be outstanding.

IX. USE OF PROCEEDS

Any cash proceeds received by the Corporation from the sale of shares of Common Stock under the Plan shall be used for general corporate purposes.

X. REGULATORY APPROVALS

A. The implementation of the Plan, the granting of any stock option under the Plan and the issuance of any shares of Common Stock (i) upon the exercise of any granted option or (ii) under the Stock Issuance Program shall be subject to the Corporation's procurement of all

approvals and permits required by regulatory authorities having jurisdiction over the Plan, the stock options granted under it and the shares of Common Stock issued pursuant to it.

B. No shares of Common Stock or other assets shall be issued or delivered under the Plan unless and until there shall have been compliance with all applicable requirements of Federal and state securities laws, including the filing and effectiveness of the Form S-8 registration statement for the shares of Common Stock issuable under the Plan, and all applicable listing requirements of any stock exchange (or the Nasdaq National Market, if applicable) on which Common Stock is then listed for trading.

XI. NO EMPLOYMENT/SERVICE RIGHTS

Nothing in the Plan shall confer upon the Optionee or the Participant any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Corporation (or any Parent or Subsidiary employing or retaining such person) or of the Optionee or the Participant, which rights are hereby expressly reserved by each, to terminate such person's Service at any time for any reason, with or without cause.

XII. FINANCIAL REPORTS

The Corporation shall deliver a balance sheet and an income statement at least annually to each individual holding an outstanding option under the Plan, unless such individual is a key Employee whose duties in connection with the Corporation (or any Parent or Subsidiary) assure such individual access to equivalent information.

APPENDIX

The following definitions shall be in effect under the Plan:

A. **Board** shall mean the Corporation's Board of Directors.

B. **Change in Control** shall mean a change in ownership or control of the Corporation effected through either of the following transactions:

(i) the acquisition, directly or indirectly by any person or related group of persons (other than the Corporation or a person that directly or indirectly controls, is controlled by, or is under common control with, the Corporation), of beneficial ownership (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities pursuant to a tender or exchange offer made directly to the Corporation's stockholders which the Board does not recommend such stockholders to accept, or

(ii) a change in the composition of the Board over a period of thirty-six (36) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (A) have been Board members continuously since the beginning of such period or (B) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (A) who were still in office at the time the Board approved such election or nomination.

C. **Code** shall mean the Internal Revenue Code of 1986, as amended.

D. **Common Stock** shall mean the Corporation's common stock.

E. **Corporate Transaction** shall mean either of the following stockholder-approved transactions to which the Corporation is a party:

(i) a merger or consolidation in which securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities are transferred to a person or persons different from the persons holding those securities immediately

prior to such transaction, or

(ii) the sale, transfer or other disposition of all or substantially all of the Corporation's assets.

F. **Corporation** shall mean Digirad Corporation, a Delaware corporation, and its successors.

G. **Discretionary Option Grant Program** shall mean the discretionary option grant program in effect under the Plan.

H. **Employee** shall mean an individual who is in the employ of the Corporation (or any Parent or Subsidiary), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

I. **Exercise Date** shall mean the date on which the Corporation shall have received written notice of the option exercise.

J. **Fair Market Value** per share of Common Stock on any relevant date shall be determined in accordance with the following provisions:

(i) If the Common Stock is at the time traded on the Nasdaq National Market, then the Fair Market Value shall be deemed equal to the closing selling price per share of Common Stock on the date in question, as such price is reported on the Nasdaq National Market or any successor system. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(ii) If the Common Stock is at the time listed on any Stock Exchange, then the Fair Market Value shall be deemed equal to the closing selling price per share of Common Stock on the date in question on the Stock Exchange determined by the Plan Administrator to be the primary market for the Common Stock, as such price is officially quoted in the composite tape of transactions on such exchange. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(iii) For purposes of any option grants made on the Underwriting Date, the Fair Market Value shall be deemed to be equal to the price per share at which the Common Stock is to be sold in the initial public offering pursuant to the Underwriting Agreement.

(iv) For purposes of any option grants made prior to the Underwriting Date, the Fair Market Value shall be determined by the Plan Administrator, after taking into account such factors as it deems appropriate.

K. **Incentive Option** shall mean an option which satisfies the requirements of Code Section 422.

L. **Involuntary Termination** shall mean the termination of the Service of any individual which occurs by reason of:

(i) such individual's involuntary dismissal or discharge by the Corporation for reasons other than Misconduct, or

(ii) such individual's voluntary resignation following (A) a change in his or her position with the Corporation which materially reduces his or her level of responsibility, (B) a reduction in his or her level of compensation (including base salary, fringe benefits and participation in any corporate-performance based bonus or incentive

programs) by more than fifteen percent (15%) or (C) a relocation of such individual's place of employment by more than fifty (50) miles, provided and only if such change, reduction or relocation is effected by the Corporation without the individual's consent.

M. **Misconduct** shall mean the commission of any act of fraud, embezzlement or dishonesty by the Optionee or Participant, any unauthorized use or disclosure by such person of confidential information or trade secrets of the Corporation (or any Parent or Subsidiary), or any other intentional misconduct by such person adversely affecting the business or affairs of the Corporation (or any Parent or Subsidiary) in a material manner. The foregoing definition shall not be deemed to be inclusive of all the acts or omissions which the Corporation (or any Parent or Subsidiary) may consider as grounds for the dismissal or discharge of any Optionee, Participant or other person in the Service of the Corporation (or any Parent or Subsidiary).

N. **1934 Act** shall mean the Securities Exchange Act of 1934, as amended.

O. **Non-Statutory Option** shall mean an option not intended to satisfy the requirements of Code Section 422.

P. **Optionee** shall mean any person to whom an option is granted under the Discretionary Option Grant Program.

Q. **Parent** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation, provided each corporation in the unbroken chain (other than the Corporation) owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

R. **Participant** shall mean any person who is issued shares of Common Stock under the Stock Issuance Program.

S. **Permanent Disability or Permanently Disabled** shall mean the inability of the Optionee or the Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment expected to result in death or to be of continuous duration of twelve (12) months or more.

T. **Plan** shall mean the Corporation's 1998 Stock Option/Stock Issuance Plan, as set forth in this document.

U. **Plan Administrator** shall mean the particular entity, whether the Primary Committee, the Board or the Secondary Committee, which is authorized to administer the Discretionary Option Grant and Stock Issuance Programs with respect to one or more classes of eligible persons, to the extent such entity is carrying out its administrative functions under those programs with respect to the persons under its jurisdiction.

V. **Plan Effective Date** shall mean the date on which the Plan was adopted by the Board.

W. **Primary Committee** shall mean the committee of two (2) or more non-employee Board members appointed by the Board to administer the Discretionary Option Grant and Stock Issuance Programs with respect to Section 16 Insiders following the Section 12 Registration Date.

X. **Secondary Committee** shall mean a committee of two (2) or more Board members appointed by the Board to administer any aspect of Plan not required hereunder to be administered by the Primary Committee. The members of the Secondary Committee may be Board members who are Employees eligible to receive discretionary option grants or direct stock issuances under the Plan or any other stock option, stock appreciation, stock bonus or other stock plan of the Corporation (or any Parent or Subsidiary).

Y. **Section 12 Registration Date** shall mean the date on which the Common Stock is first registered under Section 12(g) or Section 15 of the 1934 Act.

Z. **Section 16 Insider** shall mean an officer or director of the Corporation subject to the short-swing profit liabilities of Section 16 of the 1934 Act.

AA. **Service** shall mean the performance of services for the Corporation (or any Parent or Subsidiary) by a person in the capacity of an Employee, a non—employee member of the board of directors or a consultant or independent advisor, except to the extent otherwise specifically provided in the documents evidencing the option grant or stock issuance.

AB. **Stock Exchange** shall mean either the American Stock Exchange or the New York Stock Exchange.

AC. **Stock Issuance Agreement** shall mean the agreement entered into by the Corporation and the Participant at the time of issuance of shares of Common Stock under the Stock Issuance Program.

AD. **Stock Issuance Program** shall mean the stock issuance program in effect under the Plan.

AE. **Subsidiary** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, provided each corporation (other than the last corporation) in the unbroken chain owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

AF. **Taxes** shall mean the Federal, state and local income and employment tax liabilities incurred by the holder of Non-Statutory Options or unvested shares of Common Stock in connection with the exercise of those options or the vesting of those shares.

AG. **10% Stockholder** shall mean the owner of stock (as determined under Code Section 424(d)) possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Corporation (or any Parent or Subsidiary).

AH. **Underwriting Agreement** shall mean the agreement between the Corporation and the underwriter or underwriters managing the initial public offering of the Common Stock.

AI. **Underwriting Date** shall mean the date on which the Underwriting Agreement is executed and priced in connection with an initial public offering of the Common Stock.

EXHIBIT 10.21

*** CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT (INDICATED BY ASTERISKS) HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT UNDER 17 C.F.R. SECTIONS 200.80(B)(4), 200.83 AND 230.406.

DIGIRAD CORPORATION

June 11, 2002

David M. Sheehan
Co-Chief Executive Officer
Digirad Corporation
9350 Trade Place
San Diego, CA 92126-6334

Dear Mr. Sheehan:

The purpose of this letter is to describe the terms and conditions pursuant to which you and certain other members of senior management of Digirad Corporation (the "Company") will be compensated in connection with your continued employment with the Company and/or its wholly-owned subsidiary, Digirad Imaging Solutions, Inc. ("DIS").

1. Cash Bonus Awards.

a. Payment of Cash Bonus. In the event that you have continued in Service (as hereinafter defined) to the Company and/or DIS on each of June 17, 2002, September 30, 2002 and December 31, 2002 (each date, a "Cash Bonus Eligibility Date"), you will be entitled to be paid a cash bonus in the amount of Twenty-Five Thousand Dollars ($25,000) (the "Cash Bonus") on each of June 17, 2002, October 15, 2002 and January 15, 2003, respectively (each date, a "Cash Bonus Payment Date"). As used herein, the term "Service" shall mean the continuous provision of services to the Company and/or DIS by you in the capacity of an employee, a non-employee member of the board of directors, a consultant or an independent advisor.

b. Eligibility for Cash Bonus. Should your Service terminate before any Cash Bonus Eligibility Date by reason of (i) your voluntary resignation or (ii) a Termination for Cause (as hereinafter defined), you will not be entitled to receive any further Cash Bonus on any future Cash Bonus Payment Date pursuant this paragraph 1. Should your Service terminate before any Cash Bonus Eligibility Date for any reason other than (i) your voluntary resignation or (ii) a Termination for Cause, you will still be entitled to receive a Cash Bonus on each remaining Cash Bonus Payment Date. Should the Company consummate an Acquisition (as hereinafter defined) on or before any Cash Bonus Eligibility Date, you will not be entitled to receive any further Cash Bonus on any future Cash Bonus Payment Date pursuant to this paragraph 1.

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c. Termination for Cause. As used herein, "Termination for Cause" shall mean the termination of your Service for one or more of the following reasons: (i) your commission of any act of fraud, embezzlement or dishonesty, (ii) your willful and material misappropriation of the assets of the Company and/or DIS or (iii) any other intentional misconduct on your part adversely affecting the business or affairs of the Company and/or DIS in a material manner. The foregoing definition will not in any way preclude or restrict the right of the Company and/or DIS to discharge or dismiss you for any reason, provided, however, that such reasons will not be deemed, for purposes of this letter agreement, to constitute grounds for Termination for Cause.

2. Acquisition Bonus Awards.

a. Payment of Acquisition Bonus. In the event that at any time on or before June 30, 2004, the Company receives Acquisition Proceeds (as hereinafter defined) in connection with the consummation by the Company of one or more Acquisitions (as hereinafter defined), you, John Dahldorf and other members of senior management (as determined by you and John Dahldorf in your discretion, with the consent and approval of the Compensation Committee of the Board of Directors) will be entitled to receive an aggregate bonus (the "Acquisition Bonus") in connection with the Company's receipt of Acquisition Proceeds. The aggregate amount of the Acquisition Bonus to be paid to you, Mr. Dahldorf and other members of senior management shall be a single amount (i) not less than Four Hundred Thousand Dollars ($400,000) and (ii) not greater than that amount which is ten percent (10%) of any Acquisition Proceeds received by the Company in excess of Thirty Million Dollars ($30,000,000). Any Acquisition Bonus paid may be distributed among you, Mr. Dahldorf and the other members of senior management in the discretion of you and Mr. Dahldorf, with the consent and approval of the Compensation Committee of the Board of Directors.

b. Eligibility for Acquisition Bonus. You and any member of senior management will only be entitled to receive a portion of any Acquisition Bonus awarded pursuant to this paragraph 3 if you and/or any such member of senior management have continued in Service through the effective closing date of such Acquisition. Should your Service terminate before the effective closing date of a transaction constituting an Acquisition by reason of (i) your voluntary resignation or (ii) a Termination for Cause (as previously defined), you will not be entitled to receive any Acquisition Bonus in connection with the respective Acquisition pursuant to this paragraph 3. In the event that, during the sixty (60) day period prior to the effective closing date of an Acquisition, your Service should terminate for any reason other than (i) your voluntary resignation or (ii) a Termination for Cause, you will still be entitled to receive the Acquisition Bonus to be paid in connection with the consummation of the respective Acquisition; provided, however, that you will not be entitled to receive any portion of an Acquisition Bonus which may be distributed in connection with any future Acquisition which is consummated on or before June 30, 2004.

c. Form of Acquisition Bonus. Any Acquisition Bonus awarded pursuant to this paragraph 3 will be paid to you and any members of senior management in the same form and upon the same date as Acquisition Proceeds are paid to the Company and/or DIS or to the holders of the outstanding securities of the Company and/or DIS, as the case may be.

d. Definitions.

(i) "Acquisition" shall mean any of the following transactions pursuant to which assets or securities of the Company and/or DIS are acquired for consideration paid in cash, securities or other property:

(a) a merger, consolidation or other similar transaction approved by the stockholders of the Company and/or DIS, as the case may be, unless securities representing more than fifty percent (50%) of the total combined voting power of the voting securities of the successor corporation are immediately thereafter beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned the outstanding voting securities of the Company and/or DIS, as the case may be, immediately prior to such transaction, or

(b) the sale, transfer or other disposition of all or substantially all of the property or assets of the Company and/or DIS, as the case may be (including, without limitation, the sale, transfer or other disposition of all or substantially all of the Company's assets used in the design, manufacture and sale of digital gamma cameras); provided, however, that the foregoing definition shall not apply to the sale by the Company of its goods (including, without limitation, its digital gamma cameras) in the ordinary course of business, or

(c) the direct sale by the stockholders of the Company and/or DIS, as the case may be, of securities possessing more than fifty percent (50%) of the total combined voting power of the outstanding securities of the Company or DIS, as the case may be (except in connection with capital raising transactions), to a person or persons different from the persons holding those securities immediately prior to such sale.

(ii) "Acquisition Proceeds" shall mean the following items of consideration (in cash, securities or other property) paid by the acquiring person or persons in effecting the Acquisition:

(a) for an Acquisition effected by a merger, consolidation, or other similar transaction or by the direct purchase of the outstanding securities of the Company and/or DIS, as the case may be, the aggregate amount of consideration (valued at fair market value) paid to the holders of the outstanding securities of the Company and/or DIS, as the case may be, in acquisition of their stockholder interests, or

(b) for an Acquisition effected by the purchase of all or a material portion of the assets of the Company and/or DIS, the portion of the consideration (valued at fair market value) paid to the Company for those assets.

3. Performance Bonus Awards.

a. Payment of Performance Bonus. Provided that you have continued in Service to the Company and/or DIS on and through *** , you will be entitled to be paid a cash bonus (the "Performance Bonus"), in an amount representing ***

*** Portions of this page have been omitted pursuant to a request for Confidential Treatment and filed separately with the commission.

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b. Eligibility for Performance Bonus. Should your Service terminate on or before *** by reason of (i) your voluntary resignation or (ii) a Termination for Cause (as previously defined), you will not be entitled to receive any Performance Bonus pursuant this paragraph 3. Should your Service terminate on or before *** for any reason other than (i) your voluntary resignation or (ii) a Termination for Cause, you will still be entitled to receive a Performance Bonus pursuant to this paragraph 3.

4. Stock Option Grants. Upon the final closing of the Company's sale and issuance of shares of its Series H Preferred Stock ("Series H Closing"), and following the appropriate increase to the Company's stock option pool, you and other members of senior management (as determined by you and approved by the board of directors) will be granted stock options to purchase shares of the Company's common stock under the Company's stock option/stock issuance plan pursuant to the following terms and conditions.

*** Portions of this page have been omitted pursuant to a request for Confidential Treatment and filed separately with the commission.

a. Number of Options. The number of shares of common stock underlying the stock option granted to you shall represent approximately *** the outstanding shares of the Company's common stock (on an as-converted basis) following the Series H Closing.

b. Option Pool. The Company's stock option/stock issuance pool shall constitute approximately ten percent (10%) of the outstanding shares of the Company's common stock (on an as-converted basis) following the final closing of the Company's sale and issuance of shares of its Series H Preferred Stock.

c. Exercise Price. Each option will have an exercise price per share equal to *** the final price per share of the Company's Series H Preferred Stock (as reflected in the Company's Amended and Restated Certificate of Incorporation and as adjusted for stock splits and combinations).

d. Option Type and Term. The options granted hereunder will be incentive stock options under the federal tax laws, to the maximum extent allowable, and the balance will be a non-statutory options. The options will have a maximum term of ten (10) years, subject to earlier termination following cessation of employment.

e. Vesting of Options. *** the shares of common stock covered under the option granted to you will vest ***

***

*** . Notwithstanding the foregoing, however, ***

*** the shares of common stock covered under the option granted to you and any other member of senior management will immediately vest upon an Acceleration Event (as hereinafter defined)

f. Acceleration Event. As used herein, an "Acceleration Event" shall mean the consummation of one of the following transactions pursuant to which assets or securities of the Company and DIS are acquired for consideration paid in cash, securities or other property:

(i) a merger, consolidation or other similar transaction approved by the stockholders of the Company, unless securities representing more than fifty percent (50%) of the total combined voting power of the voting securities of the successor corporation are immediately thereafter beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned the outstanding voting securities of the Company, as the case may be, immediately prior to such transaction, or

(ii) the sale, transfer or other disposition of all or substantially all of the property or assets of the Company and DIS; or

(iii) the direct sale by the stockholders of the Company of securities possessing more than fifty percent (50%) of the total combined voting power of the outstanding securities of the Company (except in connection with capital raising transactions), to a person or persons different from the persons holding those securities immediately prior to such sale.

*** Portions of this page have been omitted pursuant to a request for Confidential Treatment and filed separately with the commission.

5. Parachute Payments. In the event that any payments to which you or any member of senior management become entitled in accordance with the provisions of this letter agreement would otherwise constitute a parachute payment under Section 280G of the Internal Revenue Code, then such payments will be subject to reduction to the extent necessary to assure that you receive the greater of (i) the amount of those payments which would not constitute such a parachute payment or (ii) the amount which yields you the greatest after-tax amount of benefits after taking into account any excise tax imposed on the payments provided to you under this letter agreement pursuant to Section 4999 of the Internal Revenue Code. However, provided certain conditions are met, payments that would otherwise be subject to the provisions of Sections 280G and 4999 of the Internal Revenue Code may be exempt from those rules, if the stockholders approve those payments.

6. Miscellaneous.

a. Limitations. This letter agreement will in no way affect the right of the Company and/or DIS to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

b. Withholding. If applicable, all payments under this letter agreement shall be subject to the Company's collection of all applicable federal, state and local income and employment taxes required to be withheld therefrom.

c. Transfer of Rights. Any rights or interests granted hereunder may not be transferred, assigned, pledged or encumbered, other than a transfer effected by will or the laws of inheritance following your death.

d. Amendment and Termination. The Board of Directors may amend or terminate this letter agreement only with your prior written consent.

e. At Will Employment. No provision of this letter agreement will confer any right upon you to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the right of the Company or your right to terminate your Service at any time for any reason, with or without cause.

f. Governing Law. The provisions of this letter agreement will be governed by and construed in accordance with the laws of the State of California without resort to its conflict-of-laws rules.

g. Assignment. The liabilities and obligations of the Company under this letter agreement will be binding upon any successor corporation or entity which succeeds to all or substantially all of the assets and business of the Company by merger or other transaction, whether or not such transaction qualifies as an Acquisition.

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We ask that you acknowledge your receipt of this letter agreement and your acceptance of its terms and conditions by signing and dating this letter agreement as soon as possible.

Very truly yours,

/s/ Timothy J. Wollaeger

Timothy J. Wollaeger
Chairman of the Compensation Committee
The Board of Directors of Digirad Corporation

Acknowledged and Agreed:

/s/ David M. Sheehan

David M. Sheehan

Dated: June 11, 2002

5,000,000.00

LOAN AND SECURITY AGREEMENT

by and between

ORION IMAGING SYSTEMS, INC.
DIGIRAD IMAGING SYSTEMS, INC.
("Borrower")

and

HELLER HEALTHCARE FINANCE, INC.

("Lender")

January 9, 2001

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT (the "Agreement") is made as of January 9, 2001, by and between ORION IMAGING SYSTEMS, INC., a Delaware. corporation, and **DIGIRAD IMAGING SYSTEMS, INC.**, a Delaware corporation (collectively, "Borrower"), and **HELLER HEALTH CARE FINANCE, INC.**, a Delaware corporation ("Lender").

RECITALS

A. Borrower desires to establish certain financing arrangements with and borrow funds from Lender, and Lender is willing to establish such arrangements for and make loans and extensions of credit to Borrower, on the terms and conditions set forth below.

B. The parties desire to define the terms and conditions of their relationship and to reduce their agreements to writing.

NOW, THEREFORE, in consideration of the promises and covenants contained in this Agreement, and for other consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

ARTICLE I

DEFINITIONS

As used in this Agreement, unless otherwise specified, all references to "Sections" shall be deemed to refer to Sections of this Agreement, and the following terms shall have the meanings set forth below:

Section 1.1 **Account.** "Account" means any right to payment for goods sold or leased or services rendered, whether or not evidenced by an instrument or chattel paper, and whether or not earned by performance, including, without limitation, the right to payment of management fees.

Section 1.2 **Account Debtor.** "Account Debtor" means any Person obligated on any Account of Borrower, including without limitation, any Insurer and any Medicaid/Medicare Account Debtor.

Section 1.3 **Affiliate.** "Affiliate" means, with respect to a specified Person, any Person directly or indirectly controlling, controlled by, or under common control with the specified Person, including without limitation their stockholders and any Affiliates thereof. A Person shall be deemed to control a corporation or other entity if the Person possesses, directly or indirectly, the power to direct or cause the direction of the management and business of the corporation or other entity, whether through the ownership of voting securities, by contract, or otherwise.

Section 1.4 **Agreement.** "Agreement" means this Loan and Security Agreement, as it may be amended or supplemented from time to time.

Section 1.5 **Base Rate.** "Base Rate" means a rate of interest equal to one and one-quarter percent (1.25%) above the "Prime Rate of Interest" (provided, however, that in no event shall the Base Rate fall below ten and one-quarter percent (10.25%) so long as this Agreement remains in effect).

Section 1.6 **Borrowed Money.** "Borrowed Money" means any obligation to repay money, any indebtedness evidenced by notes, bonds, debentures or similar obligations, any obligation under a conditional sale or other title retention agreement and the net aggregate rentals under any lease which under GAAP would be capitalized on the books of Borrower or which is the substantial equivalent of the financing of the property so leased.

Section 1.7 **Borrower.** "Borrower" has the meaning set forth in the Preamble.

Section 1.8 **Borrowing Base.** "Borrowing Base" has the meaning set forth in Section 2.1(d).

Section 1.9 **Business Day.** "Business Day" means any day on which financial institutions are open for business in the State of Maryland, excluding Saturdays and Sundays.

Section 1.10 **Closing; Closing Date.** "Closing" and "Closing Date" have the meanings set forth in Section 5.3.

Section 1.11 **Collateral.** "Collateral" has the meaning set forth in Section 3.1.

Section 1.12 **Commitment Fee.** "Commitment Fee" has the meaning set forth in Section 2.4(a).

Section 1.13 **Concentration Account.** "Concentration Account" has the meaning set forth in Section 2.3.

Section 1.14 **Controlled Group.** "Controlled Group" means all businesses that would be treated as a single employer under Section 4001(b) of ERISA.

Section 1.15 **Cost Report Settlement Account.** "Cost Report Settlement Account" means an "Account" owed to Borrower by a Medicaid/Medicare Account Debtor pursuant to any cost report, either interim, filed or audited, as the context may require.

Section 1.16 **Default Rate.** "Default Rate" means a rate per annum equal to five percent (5%) above the then applicable Base Rate.

Section 1.17 **ERISA.** "ERISA" has the meaning set forth in Section 4.12.

Section 1.18 **Event of Default.** "Event of Default" and "Events of Default" have the meanings set forth in Section 8.1.

Section 1.19 **GAAP.** "GAAP" means generally accepted accounting principles applied in a consistent manner.

Section 1.20 **Governmental Authority.** "Governmental Authority" means and includes any federal, state, District of Columbia, county, municipal, or other government and any department, commission, board, bureau, agency or instrumentality thereof, whether domestic or foreign.

Section 1.20a. **Guaranty.** "Guaranty" means that certain Unconditional Guaranty of Payment and Performance made by Digirad, Inc. in favor of Lender and dated as of even date with this Agreement.

Section 1.21 **Hazardous Material.** "Hazardous Material" means any substances defined or designated as hazardous or toxic waste, hazardous or toxic material, hazardous or toxic substance, or similar term, by any environmental statute, rule or regulation or any Governmental Authority applicable to Borrower or its business, operations or assets.

Section 1.22 **Highest Lawful Rate.** "Highest Lawful Rate" means the maximum lawful rate of interest referred to in Section 2.7 that may accrue pursuant to this Agreement.

Section 1.23 **Insurer.** "Insurer" means a Person that insures a Patient against certain of the costs incurred in the receipt by such Patient of Medical Services, or that has an agreement with Borrower to compensate Borrower for providing services to a Patient.

Section 1.24 **Lender.** "Lender" means Heller Healthcare Finance, Inc., a Delaware corporation.

Section 1.25 **Loan.** "Loan" has the meaning set forth in Section 2.1 (a).

Section 1.26 **Loan Documents.** "Loan Documents" means and includes this Agreement, the Note, the Certificate of Validity, the Guaranty and each and every other document now or hereafter delivered in connection with this Agreement, as any of them may be amended, modified, or supplemented from time to time.

Section 1.27 **Loan Manaeement Fee.** "Loan Management Fee" has the meaning set forth in Section 2.4(c).

Section 1.28 **Lockbox.** "Lockbox" has the meaning set forth in Section 2.3.

Section 1.28 a. **Lockbox Account.** "Lockbox Account" means an account maintained by Borrower at the Lockbox Bank into which all collections of Accounts are paid directly.

Section 1.29 **Lockbox Bank.** "Lockbox Bank" has the meaning set forth in Section 2.3.

Section 1.30 **Maximum Loan Amount.** "Maximum Loan Amount" has the meaning set forth in Section 2.1(a).

Section 1.31 **Medicaid/Medicare Account Debtor.** "Medicaid/ Medicare Account Debtor" means any Account Debtor which is (i) the United States of America acting under the Medicaid/Medicare program established pursuant to the Social Security Act, (ii) any state or the District of Columbia acting pursuant to a health plan adopted pursuant to Title XIX of the Social Security Act or (iii) any agent, carrier, administrator or intermediary for any of the foregoing.

Section 1.32 **Medical Services.** "Medical Services" means Medical and health care services provided to a Patient, including, but not limited to, medical and health care services provided to a Patient and performed by Borrower which are covered by a policy of insurance issued by an Insurer, and

includes physician services, nurse and therapist services, dental services, hospital services, skilled nursing facility services, comprehensive outpatient rehabilitation services, home health care services, residential and out-patient behavioral healthcare services, and medicine or health care equipment provided by Borrower to a Patient for a necessary or specifically requested valid and proper medical or health purpose.

Section 1.33 **Note.** "Note" has the meaning set forth in Section 2.1(c).

Section 1.34 **Obligations.** "Obligations" has the meaning set forth in Section 3.1.

Section 1.35 **Patient.** "Patient" means any Person receiving Medical Services from Borrower and all Persons legally liable to pay Borrower for such Medical Services other than Insurers.

Section 1.36 **Permitted Liens.** "Permitted Liens" means: (i) deposits or pledges to secure obligations under workmen's compensation, social security or similar laws, or under unemployment insurance; (ii) deposits or pledges to secure bids, tenders, contracts (other than contracts for the payment of money), leases, statutory obligations, surety and appeal bonds and other obligations of like nature arising in the ordinary course of business; (iii) mechanic's, workmen's, materialmen's or other like liens arising in the ordinary course of business with respect to obligations which are not due, or which are being contested in good faith by appropriate proceedings which suspend the collection thereof and in respect of which adequate reserves have been made (provided that such proceedings do not, in Lender's sole discretion, involve any substantial risk of the sale, loss or forfeiture of such property or assets or any interest therein); (iv) liens and encumbrances in favor of Lender; (v) purchase money security interests permitted in accordance with Section 7.1; and (vi) liens set forth on Schedule 1.36.

Section 1.37 **Person.** "Person" means an individual, partnership, corporation, trust, joint venture, joint stock company, limited liability company, association, unincorporated organization, Governmental Authority, or any other entity.

Section 1.38 **Plan.** "Plan" has the meaning set forth in Section 4.12.

Section 1.39 **Premises.** "Premises" has the meaning set forth in Section 4.14.

Section 1.40 **Prime Rate of Interest.** "Prime Rate of Interest" means that rate of interest designated as such by Fleet Bank, N.A., or any successor thereto, as the same may from time to time fluctuate.

Section 1.41 **Prohibited Transaction.** "Prohibited Transaction" means a "prohibited transaction" within the meaning of Section 406 of ERISA or Section 4975(c)(1) of the Internal Revenue Code that is not exempt under Section 407 or Section 408 of ERISA or Section 4975(c)(2) or (d) of the Internal Revenue Code or under a class exemption granted by the U.S. Department of Labor.

Section 1.42 **Qualified Account.** "Qualified Account" means an Account of Borrower generated in the ordinary course of Borrower's business from the sale of goods or rendition of Medical Services which Lender, in its sole and reasonable credit judgment, deems to be a Qualified Account. Without limiting the generality of the foregoing, no Account shall be a Qualified Account if: (a) to the extent that the Account or any portion of the Account is payable by an individual beneficiary, recipient or subscriber individually and not directly to Borrower by a Medicaid/Medicare Account Debtor, a physician practice, a professional corporation (i.e. a "P.A." or "P.C.") or physician group or commercial medical insurance carrier acceptable to Lender in its sole discretion; (b) the Account remains unpaid more than one hundred twenty (120) days past the claim or invoice date (but in no event more than one hundred thirty-five (135) days after the applicable Medical Services have been rendered); (c) the Account is subject to any defense, set-off, counterclaim, deduction, discount, credit, charge back, freight claim, allowance, or adjustment of any kind; (d) if the Account arises from the performance of Medical Services, the Medical Services have not been actually been performed or the Medical Services were undertaken in violation of any law; (e) the Account is subject to a lien other than a Permitted Lien; (f) Borrower knows or should have known of the bankruptcy, receivership, reorganization, or insolvency of the Account Debtor; (g) the Account is evidenced by chattel paper or an instrument of any kind that has not been pledged and delivered to Lender, or has been reduced to judgment; (h) the Account is an Account of an Account Debtor having its principal place of business or executive office outside the United States; (i) the Account Debtor is an Affiliate or Subsidiary of Borrower; (j) more than ten percent (10%) of the aggregate balance of all Accounts owing from the Account Debtor obligated on the Account are outstanding more than one hundred fifty (150) days past their invoice date; (k) fifty percent (50%) or more of the aggregate unpaid Accounts from any single Account Debtor are not deemed Qualified Accounts under this Agreement; (n) the total unpaid Accounts of the Account Debtor, except for a Medicaid/Medicare Account Debtor, exceed twenty percent (20%) of the net amount of all Qualified Accounts (including Medicaid/Medicare Account Debtors);

(1) any covenant, representation or warranty contained in the Loan Documents with respect to such Account has been breached; or (m) the Account fails to meet such other specifications and requirements which may from time to time be established by Lender.

Section 1.43 **Reportable Event.** "Reportable Event" means a "reportable event" as defined in Section 4043(c) of ERISA for which the notice requirements of Section 4043(a) of ERISA are not waived.

Section 1.44 **Revolving Credit Loan.** "Revolving Credit Loan" has the meaning set forth in Section 2.1(b).

Section 1.45 **Term.** "Term" has the meaning set forth in Section 2.8.

Section 1.46 **Termination Fee.** "Termination Fee" shall mean a fee payable upon termination of the Agreement, as yield maintenance for the loss of bargain and not as a penalty, equal to either (I) if the date of notice of a termination is on or before the second anniversary of the Closing Date, the greater of (A) three percent (3%) of the Maximum Loan Amount and (B) the Yield Maintenance Amount or (ii) if the date of a notice of termination is after the second anniversary of the Closing Date and on or before the third anniversary of the Closing Date, the greater of (A) two percent (2%) of the Maximum Loan Amount and (B) the Yield Maintenance Amount.

Section 1.47 **Yield Maintenance Amount.** "Yield Maintenance Amount" shall mean the product obtained by multiplying (a) the difference between (i) the all in effective yield (measured as a percentage per annum) earned by Lender under this Agreement during the three (3) full calendar months immediately preceding the Termination Date minus (ii) Heller Financial Inc.'s weighted average cost of capital (measured as a percentage per annum) for the most recent publicly disclosed quarterly financial period; **times** (b) the average principal amount of outstanding Revolving Credit Loans for the three (3) calendar months immediately preceding the Termination Date; **times** (c) the quotient of (i) the number of months (full or partial) then-remaining in the Term divided by (ii) twelve (12).

ARTICLE II

LOAN

Section 2.1 **Terms.**

(a) The maximum aggregate principal amount of credit extended by Lender to Borrower under this Agreement (the "Loan") that will be outstanding at any time is Five Million and No/100 Dollars ($5,000,000.00) (the "Maximum Loan Amount"). Notwithstanding anything in this Loan Agreement to the contrary, the Maximum Loan Amount will be subject to the sublimit of $2,500,000, and any funding above the sublimit shall be subject to approval of Lender's Credit Committee exercising its sole credit judgment.

(b) The Loan shall be in the nature of a revolving line of credit, and shall include sums advanced and other credit extended by Lender to or for the benefit of Borrower from time to time under this Article II (each a "Revolving Credit Loan") up to the Maximum Loan Amount depending upon the availability in the Borrowing Base, the requests of Borrower pursuant to the terms and conditions of Section 2.2, and on such other basis as Lender may reasonably determine. The outstanding principal balance of the Loan may fluctuate from time to time, to be reduced by repayments made by Borrower (which may be made without penalty or premium), and to be increased by future Revolving Credit Loans, advances and other extensions of credit to or for the benefit of Borrower, and shall be due and payable in full upon the expiration of the Term. For purposes of this Agreement, any determination as to whether there is availability within the Borrowing Base for advances or extensions of credit shall be made by Lender in its sole discretion and is final and binding upon Borrower.

(c) At Closing, Borrower shall execute and deliver to Lender a promissory note evidencing Borrower's unconditional obligation to repay Lender for Revolving Credit Loans, advances, and other extensions of credit made under the Loan, in the form of Exhibit A to this Agreement (as amended, modified, restated or replaced from time to time, the "Note"), dated the date of this Agreement, payable to the order of Lender in accordance with the terms thereof. The Note shall bear interest on the outstanding principal balance of the Note from the date of the Note until repaid, with interest payable monthly in arrears on the first Business Day of each month, at a rate per annum (on the basis of the actual number of days elapsed over a year of 360 days) equal to the Base Rate, provided that after the occurrence and during the continuance of an Event of Default such rate shall be equal to the Default Rate. Each Revolving Credit Loan, advance and other extension of credit shall be deemed evidenced by the Note, which is deemed incorporated into and made a part of this Agreement by this reference.

(d) Subject to the terms and conditions of this Agreement, advances under the Loan shall be made against a borrowing base equal to eighty-five percent (85%) of Qualified Accounts due and owing from any Medicaid/Medicare Account Debtor, Insurer or other Account Debtor (the "Borrowing Base"). Lender, in its sole credit judgment, may further adjust the Borrowing Base by applying percentages (known as "liquidity factors") to Qualified Accounts by payor class based upon Borrower's actual recent collection history for each such payor class (i.e., Medicare, Medicaid, commercial insurance, etc.) in a manner consistent with Lender's underwriting practices and procedures.(1) Such liquidity factors may be adjusted by Lender throughout the Term as warranted by collection histories.

(1) To demonstrate the methodology, the following is an illustration of the application of liquidity factors: If Borrower historically collects x% of invoiced insurance claims (where x is a number between 0 and 100) within the eligibility period, the liquidity factor would be x%, so that availability against such class of Accounts in the aggregate would be equal to Qualified Accounts multiplied by an x% liquidity factor and then multiplied by the 85% advance rate.

Section 2.2 **Loan Administration.** Borrowings under the Loan shall be as follows:

(a) A request for a Revolving Credit Loan shall be made, or shall be deemed to be made, in the following manner: (i) Borrower may give Lender notice of its intention to borrow, in which notice Borrower shall specify the amount of the proposed borrowing and the proposed borrowing date, not later than 11:00 a.m. Eastern time one (1) Business Day before the proposed borrowing date; provided, however, that no such request may be made at a time when there exists an Event of Default; and (ii) the becoming due of any amount required to be paid under this Agreement, whether as interest or for any other Obligation, shall be deemed irrevocably to be a request for a Revolving Credit Loan on the day following the due date in the amount required to pay such interest or other Obligation if such was not paid by Borrower on the due date.

(b) Borrower hereby irrevocably authorizes Lender to disburse the proceeds of each Revolving Credit Loan requested, or deemed to be requested, as follows: (i) the proceeds of each Revolving Credit Loan requested under subsection 2.2(a)(i) shall be disbursed by Lender by wire transfer to such bank account as may be agreed upon by Borrower and Lender from time to time or elsewhere if pursuant to written direction from Borrower; and (ii) the proceeds of each Revolving Credit Loan deemed to be requested under subsection 2.2(a)(ii) shall be disbursed by Lender by way of direct payment of the relevant interest or other Obligation.

(c) All Revolving Credit Loans, advances and other extensions of credit to or for the benefit of Borrower shall constitute one general Obligation of Borrower, and shall be secured by Lender's lien upon all of the Collateral.

(d) Lender shall enter all Revolving Credit Loans as debits to a loan account in the name of Borrower and shall also record in said loan account all payments made by Borrower on any Obligations and all proceeds of Collateral which are indefeasibly paid to Lender, and may record therein, in accordance with customary accounting practice, other debits and credits, including interest and all charges and expenses properly chargeable to Borrower. All collections into the Concentration Account pursuant to Section 2.3 shall be applied first to fees, costs and expenses due and owing under the Loan Documents, then to interest due and owing under the Loan Documents, and then to principal outstanding with respect to Revolving Credit Loans.

(e) Lender will account to Borrower monthly with a statement of Revolving Credit Loans, charges and payments made pursuant to this Agreement, and such accounting rendered by Lender shall be deemed final, binding and conclusive upon Borrower, absent manifest error, unless Lender is notified by Borrower in writing to the contrary within thirty (30) days of the date each accounting is mailed to Borrower. Such notice shall be deemed an objection to those items specifically objected to in the notice.

Section 2.3 Collections, Disbursements, Borrowing Availability, and Lockbox Account. Borrower shall maintain a lockbox account (the "Lockbox") with FIRST UNION BANK (the "Lockbox Bank"), subject to the provisions of this

Agreement, and shall execute with the Lockbox Bank a Lockbox Agreement in the form attached as Exhibit B, and such other agreements related to the Lockbox Agreement as Lender may require. Borrower shall ensure that all collections of Accounts are paid directly from Account Debtors into the Lockbox, and that all funds paid into the Lockbox are transferred daily into a depository account maintained by Lender at Bank One, N.A., or such other financial institution as determined by Lender in its sole discretion, by written notice to Borrowers and the Lockbox Bank (the "Concentration Account"). Lender shall apply, on a daily basis, all funds transferred into the Concentration Account pursuant to this Section 2.3 to reduce the outstanding indebtedness under the Loan (in accordance with Section 2.2(d)), and all future Revolving Credit Loans, advances and other extensions of credit to be made by Lender under the conditions set forth in this Article II. To the extent that any collections of Accounts or proceeds of other Collateral are not sent directly to the Lockbox but are received by Borrower, such collections shall be held in trust for the benefit of Lender and immediately remitted, in the form received, to the Lockbox Bank for transfer to the Concentration Account immediately upon receipt by Borrower. Borrower acknowledges and agrees that its compliance with the terms of this Section 2.3 is essential, and that Lender will suffer immediate and irreparable injury and have no adequate remedy at law, if Borrower, through its acts or omissions, causes or permits Account Debtors to pay other than to the Lockbox Account, or if Borrower fails to immediately deposit collections of Accounts or proceeds of other Collateral in the Lockbox Account as herein required. Upon Borrower's failure to comply with any such terms Lender shall give Borrower written notice of such noncompliance. If such noncompliance is not cured by Borrower within two (2) Business Days of such notice, Lender shall be entitled to assess a non-compliance fee which shall operate to increase the Base Rate by two percent (2%) per annum (which non-compliance fee shall be in lieu of and not in addition to any increase in the Base Rate due to an Event of Default) during any period of non-compliance. Lender shall be entitled to assess such fee whether or not an Event of Default is declared or otherwise occurs. All funds transferred from the Concentration Account for application to Borrower's indebtedness to Lender shall be applied to reduce the Loan balance, but for purposes of calculating interest shall be subject to a five (5) Business Day clearance period. If as the result of collections of Accounts pursuant to the terms and conditions of this Section 2.3 a credit balance exists with respect to the Concentration Account, such credit balance shall not accrue interest in favor of Borrower, but shall be available to Borrower at any time or times for so long as no Event of Default, and no event or circumstance which, with notice or the passage of time (or both), would constitute an Event of Default, exists.

Section 2.4 Fees.

(a) Upon execution of this Agreement, Borrower shall unconditionally pay to Lender a commitment fee equal to one-half percent (0.50%) of the Maximum Loan Amount (the "Commitment Fee"), provided that so long as the sublimit of the Loan is not increased from $2,500,000 to $5,000,000, only $12,500 shall be due and payable by Borrower, with the remaining $12,500 being due and payable if and only if the sublimit is increased to $5,000,000.

(b) For so long as the Loan is available to Borrower, Borrower unconditionally shall pay to Lender a monthly loan management fee (the "Loan Management Fee") equal to one-twelfth of one percent (0.083%) of the average amount of the outstanding principal balance of the Revolving Credit Loans during the preceding month. The Loan Management Fee shall be payable monthly in arrears on the first day of each successive calendar month.

(c) Borrower shall pay to Lender all out-of-pocket audit and appraisal fees in connection with audits and appraisals of Borrower's books and records and such other matters as Lender shall deem appropriate, which shall be due and payable on the later of (i) the first Business Day of the month following the date of issuance by Lender of a request for payment thereof to Borrower or (ii) ten (10) days following the date of issuance by Lender of a request for payment thereof to Borrower.

(d) Borrower shall pay to Lender, on demand, any and all fees, costs or expenses which Lender or any participant pays to a bank or other similar institution (including, without limitation, any fees paid by Lender to any participant) arising out of or in connection with (i) the forwarding to Borrower or any other Person on behalf of Borrower, by Lender, of proceeds of Revolving Credit Loans made by Lender to Borrower pursuant to this Agreement, and (ii) the depositing for collection, by Lender or any participant, of any check or item of payment received or delivered to Lender or any participant on account of Obligations.

Section 2.5 Payments. Principal payable on account of Revolving Credit Loans shall be payable by Borrower to Lender immediately upon the earliest of (i) the receipt by Borrower or Lender of any payments on or proceeds from any of the Collateral, to the extent of such proceeds, (ii) the occurrence of an Event of Default if the Loan and the maturity of the payment of the Obligations are accelerated, or (iii) the termination of this Agreement pursuant to Section 2.8 of this Agreement; provided, however, that if any advance made by Lender in excess of the Borrowing Base shall exist at any time, Borrower shall, immediately upon demand, repay such overadvance. Interest accrued on the Revolving Credit Loans shall be due on the earliest of (i) the first Business Day of each month (for the immediately preceding month), computed on the last calendar day of the preceding month, (ii) the occurrence of an Event of Default if the Loan and the maturity of the payment of the Obligations are accelerated, or (iii) the termination of this Agreement pursuant to Section 2.8. Except to the extent otherwise set forth in this Agreement, all payments of principal and of interest on the Loan, all other charges and any other obligations of Borrower under this Agreement, shall be made to Lender to the Concentration Account, in immediately available funds.

Section 2.6 **Use of Proceeds.** The proceeds of Lender's advances under the Loan shall be used solely for working capital and for other costs of Borrower arising in the ordinary course of Borrower's business.

Section 2.7 **Interest Rate Limitation.** The parties intend to conform strictly to the applicable usury laws in effect from time to time during the term of the Loan. Accordingly, if any transaction contemplated by this Agreement would be usurious under

such laws, then notwithstanding any other provision of this Agreement: (i) the aggregate of all interest that is contracted for, charged, or received under this Agreement or under any other Loan Document shall not exceed the maximum amount of interest allowed by applicable law (the "Highest Lawful Rate"), and any excess shall be promptly credited to Borrower by Lender (or, to the extent that such consideration shall have been paid, such excess shall be promptly refunded to Borrower by Lender); (ii) neither Borrower nor any other Person now or hereafter liable under this Agreement shall be obligated to pay the amount of such interest to the extent that it is in excess of the Highest Lawful Rate; and (iii) the effective rate of interest shall be reduced to the Highest Lawful Rate. All sums paid, or agreed to be paid, to Lender for the use, forbearance, and detention of the debt of Borrower to Lender shall, to the extent permitted by applicable law, be allocated throughout the full term of the Note until payment is made in full so that the actual rate of interest does not exceed the Highest Lawful Rate in effect at any particular time during the full term thereof. If at any time the rate of interest under the Note exceeds the Highest Lawful Rate, the rate of interest to accrue pursuant to this Agreement shall be limited, notwithstanding anything to the contrary in this Agreement, to the Highest Lawful Rate, but any subsequent reductions in the Base Rate shall not reduce the interest to accrue pursuant to this Agreement below the Highest Lawful Rate until the total amount of interest accrued equals the amount of interest that would have accrued if a varying rate per annum equal to the interest rate under the Note had at all times been in effect. If the total amount of interest paid or accrued pursuant to this Agreement under the foregoing provisions is less than the total amount of interest that would have accrued if a varying rate per annum equal to the interest rate under the Note had been in effect, then Borrower agrees to pay to Lender an amount equal to the difference between (x) the lesser of (A) the amount of interest that would have accrued if the Highest Lawful Rate had at all times been in effect, or (B) the amount of interest that would have accrued if a varying rate per annum .equal to the interest rate under the Note had at all times been in effect, and (y) the amount of interest accrued in accordance with the other provisions of this Agreement.

Section 2.8 **Term.**

(a) Subject to Lender's right to cease making Revolving Credit Loans to Borrower upon or after any Event of Default, this Agreement shall be in effect for a period of three (3) years from the Closing Date, unless terminated as provided in this Section 2.8 (the "Term"), and this Agreement shall be renewed for one-year periods thereafter upon the mutual written agreement of the parties.

(b) Notwithstanding anything in this Agreement to the contrary, Lender may terminate this Agreement without notice upon or after the occurrence of an Event of Default.

(c) Upon at least thirty (30) days prior written notice to Lender (the "Termination Notice Period"), Borrower may terminate this Agreement after the first annual anniversary of the Closing Date, *provided however,* at the effective date of any termination, Borrower shall pay to Lender (in addition to the then outstanding principal, accrued interest and other Obligations owing under the terms of this Agreement and any

other Loan Documents) as yield maintenance for the loss of bargain and not as a penalty, an amount equal to the applicable Termination Fee. Consistent with the foregoing, Borrower has no right to terminate this Agreement until after the first anniversary of the Closing Date.

(d) All of the Obligations shall be immediately due and payable upon the termination date stated in any notice of termination of this Agreement (the "Termination Date"); provided that, notwithstanding anything in Section 2.8(c) to the contrary, the Termination Date shall be effective no earlier than the first Business Day of the month following the expiration of the Termination Notice Period. All undertakings, agreements, covenants, warranties, and representations of Borrower contained in the Loan Documents shall survive any such termination and Lender shall retain its liens in the Collateral and all of its rights and remedies under the Loan Documents notwithstanding such termination until Borrower has paid the Obligations to Lender, in full, in immediately available funds.

(e) Notwithstanding any provision of this Agreement which makes reference to the continuance of an Event of Default, nothing in this Agreement shall be construed to permit Borrower to cure an Event of Default following the lapse of the applicable cure period, and Borrower shall have no such right in any instance unless specifically granted in writing by Lender.

Section 2.9 **Joint and Several Liability; Binding Obligations.** Each entity constituting Borrower shall be jointly and severally liable for all of the obligations of Borrower under this note. Each Borrower, individually, expressly understands, agrees and acknowledges, that the loan would not be made available on the terms herein in the absence of the collective credit of all of the Borrowers, the joint and several liability of all Borrowers, and the cross collateralization of the collateral of all Borrowers. Accordingly, each Borrower, individually acknowledges that the benefit to each of the participants in the facility as a whole constitutes reasonably equivalent value, regardless of the amount of the loan actually borrowed by, advanced to, or the amount of collateral provided by, any individual Borrower. In addition, each entity comprising Borrower hereby acknowledges and agrees that all of the representations, warranties, covenants, obligations, conditions, agreements and other terms contained in this Agreement shall be applicable to and shall be binding upon each entity comprising Borrower, and shall be binding upon all such entities when taken together.

ARTICLE III

COLLATERAL

Section 3.1 **Generally.** As security for the payment of all liabilities of Borrower to Lender, including without limitation: (i) indebtedness evidenced under the Note, repayment of Revolving Credit Loans, advances and other extensions of credit, all fees and charges owing by Borrower, (including without limitation the Termination Fee) and all other liabilities and obligations of every kind or nature whatsoever of Borrower to

Lender, whether now existing or hereafter incurred, joint or several, matured or unmatured, direct or indirect, primary or secondary, related or unrelated, due or to become due, including but not limited to any extensions, modifications, substitutions, increases and renewals thereof, (ii) the payment of all amounts advanced by Lender to preserve, protect, defend, and enforce its rights under this Agreement and in the following property in accordance with the terms of this Agreement, and (iii) the payment of all expenses incurred by Lender in connection therewith (collectively, the "Obligations"), Borrower hereby assigns and grants to Lender a continuing first priority lien on and security interest in, upon, and to the following property (the "Collateral"):

(a) All of Borrower's now-owned and hereafter acquired or arising Accounts, accounts receivable and rights to payment of every kind and description, and all of Borrower's contract rights, chattel paper, documents and instruments with respect thereto, and all of Borrower's rights, remedies, security and liens, in, to and in respect of the Accounts, including, without limitation, rights of stoppage in transit, replevin, repossession and reclamation and other rights and remedies of an unpaid vendor, lienor or secured party, guaranties or other contracts of suretyship with respect to the Accounts, deposits or other security for the obligation of any Account Debtor, and credit and other insurance;

(b) All moneys, securities and other property and the proceeds thereof, now or hereafter held or received by, in transit to, in possession of, or under the control of Lender or a bailee or Affiliate of Lender, from or for Borrower, whether for safekeeping, pledge, custody, transmission, collection or otherwise, and all of Borrower's deposits (general or special), balances, sums and credits with Lender at any time existing;

(c) All of Borrower's now owned or hereafter acquired deposit accounts into which Accounts are deposited, including the Lockbox Account;

(d) All of Borrower's now owned and hereafter acquired or arising general intangibles and other property of every kind and description with respect to, evidencing or relating to its Accounts, accounts receivable and other rights to payment, including, but not limited to, all existing and future customer lists, choses in action, claims, books, records, ledger cards, contracts, licenses, formulae, tax and other types of refunds, returned and unearned insurance premiums, rights and claims under insurance policies, and computer programs, information, software, records, and data, as the same relates to the Accounts; and

(f) The proceeds (including, without limitation, insurance proceeds) of all of the foregoing.

Section 3.2 **Lien Documents.** At Closing and thereafter as Lender deems necessary in its sole discretion, Borrower shall execute and deliver to Lender, or have executed and delivered (all in form and substance satisfactory to Lender in its sole discretion):

(a) UCC-1 Financing Statements pursuant to the Uniform Commercial Code in effect in the jurisdiction(s) in which Borrower operates, which Lender may file in any jurisdiction where any Collateral is or may be located and in any other jurisdiction that Lender deems appropriate; provided that a carbon, photographic, or other reproduction or other copy of this Agreement or of a financing statement is sufficient as and may be filed in lieu of a financing statement; and

(b) Any other agreements, documents, instruments, and writings deemed necessary by Lender or as Lender may otherwise request from time to time in its sole discretion to evidence, perfect, or protect Lender's lien and security interest in the Collateral required under this Agreement.

Section 3.3 **Collateral Administration.**

(a) All Collateral (except deposit accounts) will at all times be kept by Borrower at its principal office(s) as set forth on Schedule 4.15 and shall not be moved from such locations without the prior written consent of Lender, which consent shall not be unreasonably withheld.

(b) Borrower shall keep accurate and complete records of its Accounts and all payments and collections thereon and shall submit to Lender on such periodic basis as Lender shall request a sales and collections report for the preceding period, in form satisfactory to Lender. In addition, if Accounts in an aggregate face amount in excess of $50,000.00 become ineligible because they fall within one of the specified categories of ineligibility set forth in the definition of Qualified Accounts or otherwise, Borrower shall notify Lender of such occurrence on the first Business Day following Borrower's discovery of such occurrence and the Borrowing Base shall thereupon be adjusted to reflect such occurrence. If requested by Lender, Borrower shall execute and deliver to Lender formal written assignments of all of its Accounts weekly, which shall include all Accounts that have been created since the date of the last assignment, together with copies of claims, invoices or other information related thereto.

(c) Whether or not an Event of Default has occurred, any of Lender's officers, employees or agents shall have the right, at any time or times hereafter, in the name of Lender or any designee of Lender or Borrower, to verify the validity, amount or any other matter relating to any Accounts by mail, telephone, telegraph or otherwise. Borrower shall cooperate fully with Lender in an effort to facilitate and promptly conclude such verification process.

(d) To expedite collection, Borrower shall endeavor in the first instance to make collection of its Accounts for Lender: Lender retains the right at all times after the occurrence and during the continuance of an Event of Default, subject to applicable law regarding Medicaid/Medicare Account Debtors, to notify Account Debtors that Accounts have been assigned to Lender and to collect Accounts directly in its own name and to charge the collection costs and expenses, including attorneys' fees, to Borrower.

Section 3.4 **Other Actions.** In addition to the foregoing, Borrower (i) shall provide prompt written notice to each private indemnity, managed care or other Insurer who either is currently an Account Debtor or becomes an Account Debtor at any time following the date of this Agreement that Lender has been granted a first priority lien and security interest in, upon and to all Accounts applicable to such Insurer and directs each Account Debtor to make payments into the Lockbox, and hereby authorizes Lender, upon Borrower's failure to send such notices within ten (10) days after the date of this Agreement (or ten (10) days after the Insurer becomes an Account Debtor), to send any and all similar notices to such Insurers, and (ii) shall do anything further that may be lawfully required by Lender to secure Lender and effectuate the intentions and objects of this Agreement, including but not limited to the execution and

delivery of lockbox agreements, continuation statements, amendments to financing statements, and any other documents required under this Agreement. At Lender's request, Borrower shall also immediately deliver to Lender all items for which Lender must receive possession to obtain a perfected security interest. Borrower shall, on Lender's demand, deliver to Lender all notes, certificates, and documents of title, chattel paper, warehouse receipts, instruments, and any other similar instruments constituting Collateral.

Section 3.5 **Searches.** Before Closing, and thereafter (as and when determined by Lender in its sole discretion), Lender will perform the searches described in clauses (a) and (b) below against Borrower (the results of which are to be consistent with Borrower's representations and warranties under this Agreement), all at Borrower's expense:

(a) Uniform Commercial Code searches with the Secretary of State and local filing offices of each jurisdiction where Borrower maintains its executive offices, a place of business, or assets;

(b) Judgment, federal tax lien and corporate and partnership tax lien searches, in each jurisdiction searched under clause (a) above; and

In addition, prior to Closing, at Borrower's expense, Borrower shall obtain and deliver to Lender good standing certificates showing Borrower to be in good standing in its state of formation and in each other state in which it is doing and currently intends to do business for which qualification is required.

Section 3.6 **Power of Attorney.** Each of the officers of Lender is hereby irrevocably made, constituted and appointed the true and lawful attorney for Borrower (without requiring any of them to act as such) with full power of substitution to do the following: (i) endorse the name of Borrower upon any and all checks, drafts, money orders, and other instruments for the payment of money that are payable to Borrower and constitute collections on Borrower's Accounts; (ii) execute in the name of Borrower any financing statements, schedules, assignments, instruments, documents, and statements that Borrower is obligated to give Lender under this Agreement; and (iii) do such other and further acts and deeds in the name of Borrower that Lender may deem necessary or desirable to enforce any Account or other Collateral or perfect Lender's security interest or lien in any Collateral. In addition, if Borrower breaches its obligation to direct

payments of the proceeds of the Collateral to the Lockbox Account, Lender, as the irrevocably made, constituted and appointed true and lawful attorney for Borrower pursuant to this paragraph, may, by the signature or other act of any of Lender's officers (without requiring any of them to do so), direct any federal, state or private payor or fiscal intermediary to pay proceeds of the Collateral to Borrower by directing payment to the Lockbox Account.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Each entity comprising Borrower represents and warrants to Lender, and shall be deemed to represent and warrant on each day on which any Obligations shall be outstanding under this Agreement, that:

Section 4.1 **Subsidiaries.** Except as set forth in Schedule 4.1, Borrower has no subsidiaries.

Section 4.2 **Organization and Good Standing.** Borrower is a corporation duly incorporated, validly existing, and in good standing under the laws of its state of formation, is in good standing as a foreign corporation in each jurisdiction in which the character of the properties owned or leased by it therein or the nature of its business makes such qualification necessary, has the corporate power and authority to own its assets and transact the business in which it is engaged, and has obtained all certificates, licenses and qualifications required under all laws, regulations, ordinances, or orders of public authorities necessary for the ownership and operation of all of its properties and transaction of all of its business.

Section 4.3 **Authority.** Borrower has full corporate power and authority to enter into, execute, and deliver this Agreement and to perform its obligations under this Agreement, to borrow the Loan, to execute and deliver the Note, and to incur and perform the obligations provided for in the Loan Documents, all of which have been duly authorized by all necessary corporate action. No consent or approval of shareholders of, or lenders to, Borrower and no consent, approval, filing or registration with any Governmental Authority is required as a condition to the validity of the Loan Documents or the performance by Borrower of its obligations under the Loan Documents.

Section 4.4 **Binding Agreement.** This Agreement and all other Loan Documents constitute, and the Note, when issued and delivered pursuant to this Agreement for value received, will constitute, the valid and legally binding obligations of Borrower, enforceable against Borrower in accordance with their respective terms.

Section 4.5 **Litigation.** Except as disclosed in Schedule 4.5, there are no actions, suits, proceedings or investigations pending or threatened against Borrower before any court or arbitrator or before or by any Governmental Authority which, in anyone case or in the aggregate, if determined adversely to the interests of Borrower, could have a material adverse effect on the business, properties, condition (financial or

otherwise) or operations, current or prospective, of Borrower, or upon its ability to perform its obligations under the Loan Documents. Borrower is not in default with respect to any order of any court, arbitrator, or Governmental Authority applicable to Borrower or its properties.

Section 4.6 **No Conflicts.** The execution and delivery by Borrower of this Agreement and the other Loan Documents do not, and the performance of its obligations under the Loan Documents will not, violate, conflict with, constitute a default under, or result in the creation of a lien or encumbrance upon the property of Borrower (other than for the benefit of Lender) under: (i) any provision of Borrower's articles of incorporation or bylaws, (ii) any provision of any law, rule, or regulation applicable to Borrower, or (iii) any of the following: (A) any indenture or other agreement or instrument to which Borrower is a party or by which Borrower or its property is bound; or (B) any judgment, order or decree of any court, arbitration tribunal, or Governmental Authority having jurisdiction over Borrower which is applicable to Borrower.

Section 4.7 **Financial Condition.** The annual financial statements of Borrower as of and for the period ending December 31, 2000 audited by Ernst & Young and the unaudited financial statements of Borrower as of and for the period ending November 30,2000, certified by the chief financial officer of Borrower, which have been delivered to Lender, fairly present the financial condition of Borrower and the results of its operations and changes in financial condition as of the dates and for the periods referred to, and have been prepared in accordance with GAAP. There are no material unrealized or anticipated liabilities, direct or indirect, fixed or contingent, of Borrower as of the dates of such financial statements which are not reflected in such financial statements or in the notes to such financial statements. There has been no adverse change in the business, properties, condition (financial or otherwise) or operations (current or prospective) of Borrower since September 30, 2000. Borrower's fiscal year ends on December 31. The federal tax identification number of each entity comprising Borrower is as described on Schedule 4.7.

Section 4.8 **No Default.** Borrower is not in default under or with respect to any obligation in any respect which could be adverse to its business, operations, property or financial condition, or which could adversely affect the ability of Borrower to perform its obligations under the Loan Documents. No Event of Default or event which, with the giving of notice or lapse of time, or both, could become an Event of Default, has occurred and is continuing.

Section 4.9 **Title to Properties.** Borrower has good and marketable title to its properties and assets, including the Collateral and the properties and assets reflected in the financial statements described in Section 4.7, subject to no lien, mortgage, pledge, encumbrance or charge of any kind, other than Permitted Liens. Borrower has not agreed or consented to cause any of its properties or assets whether owned now or hereafter acquired to be subject in the future (upon the happening of a contingency or otherwise) to any lien, mortgage, pledge, encumbrance or charge of any kind other than Permitted Liens.

Section 4.10 **Taxes.** Borrower has filed, or has obtained extensions for the filing of, all federal, state and other tax returns which are required to be filed, and has paid all taxes shown as due on those returns and all assessments, fees and other amounts due as of the date of this Agreement. All tax liabilities of Borrower were, as of September 30, 2000 and are now, adequately provided for on Borrower's books. No tax liability has been asserted by the Internal Revenue Service or other taxing authority against Borrower for taxes in excess of those already paid.

Section 4.11 **Securities and Banking Laws and Regulations.**

(a) The use of the proceeds of the Loan and Borrower's issuance of the Note will not directly or indirectly violate or result in a violation of the Securities Act of 1933 or the Securities Exchange Act of 1934, as amended, or any regulations issued pursuant thereto, including without limitation Regulations U, T or X of the Board of Governors of the Federal Reserve System. Borrower is not engaged in the business of extending credit for the purpose of the purchasing or carrying "margin stock" within the meaning of those regulations. No part of the proceeds of the Loan under this Agreement will be used to purchase or carry any margin stock or to extend credit to. others for such purpose.

(b) Borrower is not an investment company within the meaning of the Investment Company Act of 1940, as amended, nor is it, directly or indirectly, controlled by or acting on behalf of any Person which is an investment company within the meaning of that Act.

Section 4.12 **ERISA.** No employee benefit plan (a "Plan") subject to the Employee Retirement Income Security Act of 1974 ("ERISA") and regulations issued pursuant to ERISA that is maintained by Borrower or under which Borrower could have any material liability under ERISA (i) has failed to meet minimum funding standards established in Section 302 of ERISA, (ii) has failed to substantially comply with all applicable requirements of ERISA and of the Internal Revenue Code, including all applicable rulings and regulations thereunder, or (iii) has engaged in or been involved in a prohibited transaction (as defined in ERISA) under ERISA or under the Internal Revenue Code. Neither Borrower nor any member of a Controlled Group that includes Borrower has assumed, or received notice of a claim asserted against Borrower or another member of the Controlled Group for, withdrawal liability (as defined in the Multi-Employer Pension Plan Amendments Act of 1980, as amended) with respect to any multi-employer pension plan. Borrower has timely made when due all contributions with respect to any multi-employer pension plan in which it participates and no event has occurred triggering a material claim against Borrower for withdrawal liability with respect to any multi-employer pension plan in which Borrower participates.

Section 4.13 **Compliance with Law.** Except as described in Schedule 4.13, Borrower is not in violation of any statute, rule or regulation of any Governmental Authority (including, without limitation, any statute, rule or regulation relating to employment practices or to environmental, occupational and health standards and controls). Borrower has obtained all licenses, permits, franchises, and other

governmental authorizations necessary for the ownership of its properties and the conduct of its business. Borrower is current with all reports and documents required to be filed with any state or federal securities commission or similar Governmental Authority and is in full compliance with all applicable rules and regulations of such commissions.

Section 4.14 **Environmental Matters.** No use, exposure, release, generation, manufacture, storage, treatment, transportation or disposal of Hazardous Material has occurred or is occurring on or from any real property on which the Collateral is located or which is owned, leased or otherwise occupied by Borrower (the "Premises"), or off the Premises as a result of any action of Borrower, except as described in Schedule 4.14. All Hazardous Material used, treated, stored, transported to or from, generated or handled on the Premises, or off the Premises by Borrower, has been disposed of on or off the Premises by or on behalf of Borrower in a lawful manner. There are no underground storage tanks present on or under the Premises owned or leased by Borrower. No other environmental, public health or safety hazards exist with respect to the Premises.

Section 4.15 **Places of Business.** As of the Closing Date, the only places of business of Borrower, and the places where it keeps and intends to keep the Collateral and records concerning the Collateral, are at the addresses set forth in Schedule 4.15. Schedule 4.15 also lists the owner of record of each such property.

Section 4.16 **Intellectual Property.** Borrower exclusively owns or possesses all the patents, patent applications, trademarks, trademark applications, service marks, trade names, copyrights, franchises, licenses, and rights with respect to the foregoing necessary for the current and planned future conduct of its business, without any conflict with the rights of others. A list of all such intellectual property (indicating the nature of Borrower's interest), as

well as all outstanding franchises and licenses given by or held by Borrower, is attached as Schedule 4.16. Borrower is not in default of any obligation or undertaking with respect to such intellectual property or rights. To the best of Borrower's knowledge, Borrower is not infringing on any patents, patent applications, trademarks, trademark applications, service marks, trade names, copyrights, franchises, licenses, any rights with respect to the foregoing, or any other intellectual property rights of others and the Borrower is not aware of any infringement by others of any such rights owned by Borrower.

Section 4.17 **Stock Ownership.** The identity of the stockholders of record of all classes of the outstanding stock of Borrower, together with the respective ownership percentages held by such stockholders, are as set forth on Schedule 4.17.

Section 4.18 **Material Facts.** Neither this Agreement nor any other Loan Document nor any other agreement, document, certificate, or statement furnished to Lender by or on behalf of Borrower in connection with the transactions contemplated by this Agreement contains any untrue statement of material fact or omits to state a material fact necessary to make the statements contained in this Agreement or other Loan Document not misleading. There is no fact known to Borrower that adversely affects or in the future may adversely affect the business, operations, affairs or financial condition of Borrower, or any of its properties or assets.

Section 4.19 **Investments. Guarantees. and Certain Contracts.** Borrower does not own or hold any equity or long-term debt investments in, have any outstanding advances to, have any outstanding guarantees for the obligations of, or have any outstanding borrowings from, any Person, except as described on Schedule 4.19. Borrower is not a party to any contract or agreement, or subject to any corporate restriction, which adversely affects its business.

Section 4.20 **Business Interruptions.** Within five years before the date of this Agreement, neither the business, property or assets, or operations of Borrower has been adversely affected in any way by any casualty, strike, lockout, combination of workers, or order of the United States of America or other Governmental Authority, directed against Borrower. There are no pending or threatened labor disputes, strikes, lockouts, or similar occurrences or grievances against Borrower or its business.

Section 4.21 **Names.** Within five years before the date of this Agreement, Borrower has not conducted business under or used any other name (whether corporate, partnership or assumed) other than as shown on Schedule 4.21. Borrower is the sole owner of all names listed on that Schedule and any and all business done and invoices issued in such names are Borrower's sales, business, and invoices. Each trade name of Borrower represents a division or trading style of Borrower and not a separate Person or independent Affiliate.

Section 4.22 **Joint Ventures.** Borrower is not engaged in any joint venture or partnership with any other Person, except as set forth on Schedule 4.22.

Section 4.23 **Accounts.** Lender may rely, in determining which Accounts are Qualified Accounts, on all statements and representations made by Borrower with respect to any Account or Accounts. Unless otherwise indicated in writing to Lender, with respect to each Qualified Account, Borrower represents that:

(a) The Account is genuine and in all respects what it purports to be, and is not evidenced by a judgment;

(b) The Account arises out of a completed, bona fide sale and delivery of goods or rendition of Medical Services by Borrower in the ordinary course of its business and in accordance with the terms and conditions of all purchase orders, contracts, certification, participation, certificate of need, or other documents relating thereto and forming a part of the contract between Borrower and the Account Debtor;

(c) The Account is for a liquidated amount maturing as stated in a duplicate claim or invoice covering such sale or rendition of Medical Services, a copy of which has been furnished or is available to Lender;

(d) The Account, and Lender's security interest in such Account, is not, and will not (by voluntary act or omission by Borrower), be in the future, subject to any offset, lien, deduction, defense, dispute, counterclaim or any other adverse condition, and each such Account is absolutely owing to Borrower and is not contingent in any respect or for any reason;

(e) There are no facts, events or occurrences which in any way impair the validity or enforceability of any Accounts or tend to reduce the amount payable thereunder from the face amount of the claim or invoice and statements delivered to Lender with respect thereto;

(f) To the best of Borrower's knowledge, (i) the Account Debtor under the Account had the capacity to contract at the time any contract or other document giving rise to the Account was executed and (ii) such Account Debtor is solvent;

(g) To the best of Borrower's knowledge, there are no proceedings or actions which are threatened or pending against any Account Debtor under the Account which might result in any material adverse change in such Account Debtor's financial condition or the collectibility of such Account;

(h) The Account has been billed and forwarded to the Account Debtor for payment in accordance with applicable laws and compliance and conformance with any and requisite procedures, requirements and regulations governing payment by such Account Debtor with respect to such Account, and such Account if due from a Medicaid/Medicare Account Debtor is properly payable directly to Borrower; and

(i) Borrower has obtained or is in the process of obtaining all certificates of need, Medicaid and Medicare provider numbers, licenses, permits and authorizations that are necessary in the generation of such Accounts.

Section 4.24 **Solvency.** Both before and after giving effect to the transactions contemplated by the terms and provisions of this Agreement, Borrower (taken as a whole) (i) owns property whose fair saleable value is greater than the amount required to pay all of Borrower's Indebtedness (including contingent debts), (ii) was and is able to pay all of its Indebtedness as such Indebtedness matures and (iii) had and has capital sufficient to carry on its

business and transactions and all business and transactions in which it about to engage. For purposes of this Agreement, the term "Indebtedness" means, without duplication (x) all items which in accordance with GAAP would be included in determining total liabilities as shown on the liability side of a balance sheet of such Borrower as of the date on which Indebtedness is to be determined, (y) all obligations of any other person or entity which such Borrower has guaranteed, and (z) the Obligations.

Section 4.25 **Year 2000 Compliance.**

(a) All devices, systems, machinery, information technology, computer software and hardware, and other date sensitive technology (collectively, the "Systems") necessary for Borrower to carry on its business as currently conducted and as expected to be conducted in the future are Year 2000 Compliant or will be Year 2000 Compliant within a period of time calculated to result in no material disruption of any of Borrower's business operations. For purposes of these provisions, "Year 2000 Compliant" means that such Systems are designed to be used before, during and after the Gregorian calendar year 2000 A.D. and will operate during each such time period without

error related to date data, specifically including any error relating to, or the product of, date data that represents or refers to different centuries or more than one century.

(b) Borrower has: (i) undertaken a detailed inventory, review, and assessment of all areas within its business and operations that could be adversely affected by the failure of Borrower to be Year 2000 Compliant on a timely basis; (ii) developed a detailed plan and time line for becoming Year 2000 Compliant on a timely basis; and (iii) to date, implemented that plan in accordance with the timetable in all material respects.

ARTICLE V

CLOSING AND CONDITIONS OF LENDING

Section 5.1 **Conditions Precedent to Agreement.** The obligation of Lender to enter into and perform this Agreement and to make Revolving Credit Loans is subject to the following conditions precedent:

(a) Lender shall have received two (2) originals of this Agreement, the Certificate of Validity, the Guaranty and all other Loan Documents required to be executed and delivered at or before Closing (other than the Note, as to which Lender shall receive only one original), executed by Borrower and any other required Persons, as applicable.

(b) Lender shall have received all searches and good standing certificates required by Section 3.5.

(c) Borrower shall have complied and shall then be in compliance with all the terms, covenants and conditions of the Loan Documents.

(d) There shall have occurred and be continuing no Event of Default and no event which, with the giving of notice or the lapse of time, or both, could constitute such an Event of Default.

(e) The representations and warranties contained in Article IV shall be true and correct.

(f) Lender shall have received copies of all board of directors resolutions of Borrower, and other action taken by Borrower to authorize the execution, delivery and performance of the Loan Documents and the borrowing of the Loan under the Loan Documents, as well as the names and signatures of the officers of Borrower authorized to execute documents on its behalf in connection with the Loan, all as also certified as of the date of this Agreement by Borrower's chief financial officer, or equivalent, and such other papers as Lender may require.

(g) Lender shall have received copies, certified as true, correct and complete by a corporate officer of each Borrower, of the certificate of incorporation of

each Borrower, with any amendments to any of the foregoing, and all other documents necessary for performance of the obligations of Borrower under this Agreement and the other Loan Documents.

(h) Lender shall have received a written opinion of counsel for Borrower, dated the date of this Agreement, substantially in the form of Exhibit C.

(i) Lender shall have received such financial statements, reports, certifications, and other operational information required to be delivered under this Agreement, including without limitation an initial borrowing base certificate calculating the Borrowing Base.

(j) Lender shall have received the Commitment Fee.

(k) The Lockbox, Lockbox Account and the Concentration Account shall have been established.

(1) Lender shall have received an estoppel certificate substantially in the form of Exhibit D from Borrower's landlord or sublandlord, as the case may be, with respect to each of the facilities identified on Schedule 4.15.

(m) Lender shall have received a certificate of Borrower's chief financial officer, dated the Closing Date, certifying that all of the conditions specified in this Section have been fulfilled.

Section 5.2 **Conditions Precedent to Advances.** Notwithstanding any other provision of this Agreement, no Loan proceeds, Revolving Credit Loans, advances or other extensions of credit under the Loan shall be disbursed under this Agreement unless the following conditions have been satisfied or waived immediately before such disbursement:

(a) The representations and warranties on the part of Borrower contained in Article IV of this Agreement shall be true and correct in all respects at and as of the date of disbursement or advance, as though made on and as of such date (except to the extent that such representations and warranties expressly relate solely to an earlier date and except that the references in Section 4.7 to financial statements shall be deemed to be a reference to the then most recent annual and interim financial statements of Borrower furnished to Lender pursuant to Section 6.1).

(b) No Event of Default or event which, with the giving of notice of the lapse of time, or both, could become an Event of Default shall have occurred and be continuing or would result from the making of the disbursement or advance.

(c) No adverse change in the condition (financial or otherwise), properties, business, or operations of Borrower shall have occurred and be continuing with respect to Borrower since the date of this Agreement.

Section 5.3 **Closing.** Subject to the conditions of this Article V, the Loan shall be made available on the date as is mutually agreed by the parties (the "Closing Date") at such time as may be mutually agreeable to the parties upon the execution of this Agreement (the "Closing") at such place as may be requested by Lender.

Section 5.4 **Waiver of Rights.** By completing the Closing under this Agreement, or by making advances under the Loan, Lender does not waive a breach of any representation or warranty of Borrower under this Agreement or under any other Loan Document, and all of Lender's claims and rights resulting from any breach or misrepresentation by Borrower are specifically reserved by Lender.

ARTICLE VI

AFFIRMATIVE COVENANTS

Each entity comprising Borrower covenants and agrees that for so long as Borrower may borrow under this Agreement and until payment in full of the Note and performance of all other obligations of Borrower under the Loan Documents:

Section 6.1 **Financial Statements and Collateral Reports.** Borrower operates on a fiscal month ending on the dates set forth in Schedule 6.1. Borrower will furnish to Lender (i) a sales and collections report and accounts receivable aging schedule on a form acceptable to Lender within thirty (30) days after the end of each fiscal month, which shall include, but not be limited to, a report of sales, credits issued, and collections received; (ii) payables aging schedules within thirty (30) days after the end of each fiscal month; (iii) internally prepared monthly financial statements for Borrower, certified by the chief financial officer of Borrower, within sixty (60) days of the end of each fiscal month, accompanied by management analysis and actual vs. budget variance reports; (iv) to the extent prepared by Borrower, annual projections, profit and loss statements, balance sheets, and cash flow reports (prepared on a monthly basis) for the succeeding fiscal year within thirty (30) days before the end of each of Borrower's fiscal years; (v) internally prepared annual financial statements for Borrower within sixty (60) days after the end of each of Borrower's fiscal years; (vi) annual audited financial statements for Borrower prepared by Ernst & Young, or another firm of independent public accountants satisfactory to Lender, within one hundred thirty-five (135) days after the end of each of Borrower's fiscal years; (vii) promptly upon receipt thereof, copies of any reports submitted to Borrower by the independent accountants in connection with any interim audit of the books of Borrower and copies of each management control letter provided to Borrower by independent accountants; (viii) as soon as available, copies of all financial statements and notices provided by Borrower to all of its stockholders; and (ix) such additional information, reports or statements as Lender may from time to time request. Annual financial statements shall set forth in comparative form figures for the corresponding periods in the prior fiscal year. All financial statements shall include a balance sheet and statement of earnings and shall be prepared in accordance with GAAP.

Section 6.2 **Payments Under this Agreement.** Borrower will make all payments of principal, interest, fees, and all other payments required under this Agreement and under the Loan, and under any other agreements with Lender to which Borrower is a party, as and when due.

Section 6.3 **Existence. Good Standing, and Compliance with Laws.** Borrower will do or cause to be done all things necessary (i) to obtain and keep in full force and effect all corporate existence, rights, licenses, privileges, and franchises of Borrower necessary to the ownership of its property or the conduct of its business, and comply with all applicable current and future laws, ordinances, rules, regulations, orders and decrees of any Governmental Authority having or claiming jurisdiction over Borrower; and (ii) to maintain and protect the properties used or useful in the conduct of the operations of Borrower, in a prudent manner, including without limitation the maintenance at all times of such insurance upon its insurable property and operations as required by law or by Section 6.7.

Section 6.4 **Legality.** The making of the Loan and each disbursement or advance under the Loan shall not be subject to any penalty or special tax, shall not be prohibited by any governmental order or regulation applicable to Borrower, and shall not violate any rule or regulation of any Governmental Authority, and necessary consents, approvals and authorizations of any Governmental Authority to or of any such disbursement or advance shall have been obtained.

Section 6.5 **Lender's Satisfaction.** All instruments and legal documents and proceedings in connection with the transactions contemplated by this Agreement shall be satisfactory in form and substance to Lender and its counsel, and Lender shall have received all documents, including records of corporate proceedings and opinions of counsel, which Lender may have requested in connection therewith.

Section 6.6 **Taxes and Charges.** Borrower will timely file all tax reports and pay and discharge all taxes, assessments and governmental charges or levies imposed upon Borrower, or its income or profits or upon its properties or any part thereof, before the same shall be in default and before the date on which penalties attach thereto, as well as all lawful claims for labor, material, supplies or otherwise which, if unpaid, might become a lien or charge

upon the properties or any part thereof of Borrower; provided, however, that Borrower shall not be required to pay and discharge or cause to be paid and discharged any such tax, assessment, charge, levy or claim so long as the validity or amount thereof shall be contested in good faith and by appropriate proceedings by Borrower, and Borrower shall have set aside on their books adequate reserve therefor; and provided further, that such deferment of payment is permissible only so long as Borrower's title to, and its right to use, the Collateral is not adversely affected thereby and Lender's lien and priority on the Collateral are not adversely affected, altered or impaired thereby.

Section 6.7 **Insurance.** Borrower will carry adequate public liability and professional liability insurance with responsible companies reasonably satisfactory to

Lender in such amounts and against such risks as is customarily maintained by similar businesses and by owners of similar property in the same general area.

Section 6.8 **General Information.** Borrower will furnish to Lender such information as Lender may, from time to time, request with respect to the business or financial affairs of Borrower, and permit any officer, employee or agent of Lender to visit and inspect any of the properties, to examine the minute books, books of account and other records, including management letters prepared by Borrower's auditors, of Borrower, and make copies thereof or extracts therefrom, and to discuss its and their business affairs, finances and accounts with, and be advised as to the same by, the accountants and officers of Borrower, all at such times and as often as Lender may reasonably require.

Section 6.9 **Maintenance of Property.** Borrower will maintain, keep and preserve all of its properties in good repair, working order and condition and from time to time make all necessary repairs, renewals, replacements, betterments and improvements thereto, so that the business carried on in connection therewith may be properly conducted at all times.

Section 6.10 **Notification of Events of Default and Adverse Developments.** Borrower promptly will notify Lender upon the occurrence of: (i) any Event of Default; (ii) any event which, with the giving of notice or lapse of time or both, could constitute an Event of Default; (iii) any event, development or circumstance whereby the financial statements previously furnished to Lender fail in any material respect to present fairly, in accordance with GAAP, the financial condition and operational results of Borrower; (iv) any judicial, administrative or arbitration proceeding pending against Borrower, and any judicial or administrative proceeding known by Borrower to be threatened against it which, if adversely decided, could adversely affect its condition (financial or otherwise) or operations (current or prospective) or which may expose Borrower to uninsured liability of $100,000.00 or more; (v) any default claimed by any other creditor for Borrowed Money of Borrower other than Lender; and (vi) any other development in the business or affairs of Borrower which may be adverse; in each case describing the nature of the event or development. In the case of notification under clauses (i) and (ii)), Borrower should set forth the action Borrower proposes to take with respect to such event.

Section 6.11 **Employee Benefit Plans.** Borrower will (i) comply with the funding requirements of ERISA with respect to the Plans for its employees, or will promptly satisfy any accumulated funding deficiency that arises under Section 302 of ERlSA; (ii) furnish Lender, promptly after filing the same, with copies of all reports or other statements filed with the United States Department of Labor, the Pension Benefit Guaranty Corporation, or the Internal Revenue Service with respect to all Plans, or which Borrower, or any member of a Controlled Group, may receive from such Governmental Authority with respect to any such Plans, and (iii) promptly advise Lender of the occurrence of any Reportable Event or Prohibited Transaction with respect to any such Plan and the action which Borrower proposes to take with respect thereto. Borrower will make all contributions when due with respect to any multi-employer pension plan in

which it participates and will promptly advise Lender: (x) upon its receipt of notice of the assertion against Borrower of a claim for withdrawal liability; (y) upon the occurrence of any event which could trigger the assertion of a claim for withdrawal liability against Borrower; and (z) upon the occurrence of any event which would place Borrower in a Controlled Group as a result of which any member (including Borrower) thereof may be subject to a claim for withdrawal liability, whether liquidated or contingent.

Section 6.12 **Financing Statements.** Borrower shall provide to Lender evidence satisfactory to Lender as to the due recording of termination statements, releases of collateral, and Forms UCC-3, and shall cause to be ;recorded financing statements on Form UCC-1, duly executed by Borrower and Lender, in all places necessary to release all existing security interests and other liens in the Collateral (other than as permitted by this Agreement) and to perfect and protect Lender's first priority lien and security interest in the Collateral, as Lender may request.

Section 6.13 **Financial Records.** Borrower shall keep current and accurate books of records and accounts in which full and correct entries will be made of all of its business transactions, and will reflect in its financial statements adequate accruals and appropriations to reserves, all in accordance with GAAP.

Section 6.14 **Collection of Accounts.** Borrower shall continue to collect its Accounts in the ordinary course of business, subject to the lockbox provisions of this Agreement.

Section 6.15 **Places of Business.** Borrower shall give thirty (30) days' prior written notice to Lender of any change in the location of any of its places of business, of the places where its records concerning its Accounts are kept, of the places where the Collateral is kept, or of the establishment of any new, or the discontinuance of any existing, places of business.

Section 6.16 **Business Conducted.** Borrower shall continue in the business currently conducted by it using its best efforts to maintain its customers and goodwill. Borrower shall not engage, directly or indirectly, in any line of business substantially different from the business conducted by it immediately before the Closing Date, or engage in business or lines of business which are not reasonably related thereto.

Section 6.17 **Litigation and Other Proceedings.** Borrower shall give prompt notice to Lender of any litigation, arbitration, or other proceeding before any Governmental Authority against or affecting Borrower if the amount claimed is more than $25,000.00.

Section 6.18 **Bank Accounts.** Borrower shall assign to Lender all of its depository and disbursement accounts into which collections of Accounts are deposited.

Section 6.19 **Submission of Collateral Documents.** Borrower will, on demand of Lender, make available to Lender copies of shipping and delivery receipts evidencing the shipment of goods that gave rise to an Account, medical records, insurance

verification forms, assignment of benefits, in-take forms or other proof of the satisfactory performance of services that gave rise to an Account, a copy of the claim or invoice for each Account and copies of any written contract or order from which the Account arose. Borrower shall promptly notify Lender if an Account becomes evidenced or secured by an instrument or chattel paper and upon request of Lender, will promptly deliver any such instrument or chattel paper to Lender.

Section 6.20 **Licensure; MedicaidlMedicare Cost Reports.** Borrower will maintain all certificates of need, provider numbers and licenses necessary to conduct its business as currently conducted, and take any steps required to comply with any such new or additional requirements that may be imposed on providers of medical products and Medical Services. If required, all Medicaid/Medicare cost reports will be properly filed.

Section 6.21 **Officer's Certificates.** Together with the monthly financial statements delivered pursuant to clause (iii) of Section 6.1, and together with the audited annual financial statements delivered pursuant to clause (vi) of that Section, Borrower shall deliver to Lender a certificate of its chief financial officer, in form and substance satisfactory to Lender:

(a) Setting forth the information (including detailed calculations) required to establish whether Borrower is in compliance with the requirements of Articles VI and VII as of the end of the period covered by the financial statements then being furnished; and

(b) Stating that the signer has reviewed the relevant terms of this Agreement, and has made (or caused to be made under his supervision) a review of the transactions and conditions of Borrower from the beginning of the accounting period covered by the income statements being delivered to the date of the certificate, and that such review has not disclosed the existence during such period of any condition or event which constitutes an Event of Default or which is then, or with the passage of time or giving of notice or both, could become an Event of Default, and if any such condition or event existed during such period or now exists, specifying the nature and period of existence thereof and what action Borrower has taken or proposes to take with respect thereto.

Section 6.22 **Visits and Inspections.** Borrower agrees to permit representatives of Lender, from time to time, as often as may be reasonably requested, but only during normal business hours, to visit and inspect the properties of Borrower, and to inspect, audit and make extracts from its books and records, and discuss with its officers, its employees and its independent accountants, Borrower's business, assets, liabilities, financial condition, business prospects and results of operations.

Section 6.23 **Net Worth.** Borrower will not at any time allow its net worth, as computed in accordance with GAAP, to fall below $0.

ARTICLE VII

NEGATIVE COVENANTS

Borrower covenants and agrees that so long as Borrower may borrow under this Agreement and until payment in full of the Note and performance of all other obligations of Borrower under the Loan Documents:

Section 7.1 **Borrowing.** Borrower will not create, incur, assume or suffer to exist any liability for Borrowed Money except: (i) indebtedness to Lender; (ii) indebtedness of Borrower secured by mortgages, encumbrances or liens expressly permitted by Section 7.3; (iii) accounts payable to trade creditors and current operating expenses (other than for borrowed money) which are not aged more than one hundred twenty (120) days from the billing date or more than sixty (60) days from the due date, in each case incurred in the ordinary course of business and paid within such time period, unless the same are being contested in good faith and by appropriate and lawful proceedings, and Borrower shall have set aside such reserves, if any, with respect thereto as are required by GAAP and deemed adequate by Borrower and its independent accountants; (iv) equipment lease and purchase money security interest transactions up to $3,000,000 for the first calendar quarter of 2001; (v) after the first calendar quarter of 2001 and through the first calendar quarter of 2002, equipment lease and purchase money transactions up to $4,000,000 per calendar quarter provided that Borrower achieves positive Net Income (in accordance with GAAP, but prior to any allocation for shared corporate overhead expenses with Guarantor) for the preceding calendar quarter; (v) after the first calendar quarter of 2002 equipment lease and purchase money transactions up to $4,000,000 per calendar quarter provided that Borrower achieves positive Net Income (in accordance with GAAP) for the preceding calendar quarter; and (vii) borrowings incurred in the ordinary course of its business and not exceeding $75,000.00 in the aggregate outstanding at anyone time. Borrower will not make prepayments on any existing or future indebtedness for Borrowed Money to any Person (other than Lender, to the extent permitted by this Agreement or any subsequent agreement between Borrower and Lender).

Section 7.2 **Joint Ventures.** Borrower will not invest directly or indirectly in any joint venture for any purpose without the prior written notice to, and the prior written consent of, Lender, which consent shall not be unreasonably withheld.

Section 7.3 **Liens and Encumbrances.** Borrower will not create, incur, assume or suffer to exist any mortgage, pledge, lien or other encumbrance of any kind (including the charge upon property purchased under a conditional sale or other title retention agreement) upon, or any security interest in, any of its Collateral, whether now owned or hereafter acquired, except for Permitted Liens.

Section 7.4 **Restriction on Fundamental Changes.** Without the prior written consent of Lender, such consent not to be unreasonably withheld based on Lender's determination whether the requisite following actions would have a detrimental impact on (a) Borrower's ability to repay the Loan and/or (b) the Lender's rights in the

Collateral, Borrower will not: (i) enter into any transaction of merger or consolidation; (ii) liquidate, wind-up or dissolve itself (or suffer any liquidation or dissolution); (iii) convey, sell, lease, sublease, transfer or otherwise dispose of, in one transaction or a series of transactions, any of its assets, or the capital stock of any subsidiary of Borrower, whether now owned or hereafter acquired; or (iv) acquire by purchase or otherwise all or any substantial part of the business or assets of, or stock or other evidence of beneficial ownership of, any Person, other than Nuclear Imaging Systems, Inc. or its affiliates. Borrower agrees that compliance with this Section 7.4 is a material inducement to Lender's advancing credit under this Agreement and Borrower further agrees that any breach of the terms of this Section 7.4 shall constitute fraud. Borrower further agrees that in addition to all other remedies available to Lender, Lender shall be entitled to specific enforcement of the covenants in this Section 7.4, including injunctive relief.

Section 7.5 **Sale and Leaseback.** Borrower will not, directly or indirectly, enter into any arrangement whereby Borrower sells or transfers all or any part of its assets and thereupon and within one year thereafter rents or leases the assets so sold or transferred without prior written notice to and the prior written consent of Lender, which consent shall not be unreasonably withheld.

Section 7.6 **Dividends. Distributions and Management Fees.** Upon notice from Lender to Borrower of the existence of an Event of Default under this Agreement, Borrower will not declare or pay any dividends or other distributions with respect to, purchase, redeem or otherwise acquire for value any of its outstanding stock now or hereafter outstanding, or return any capital of its stockholders, nor shall Borrower pay management fees or fees of a similar nature to any Person.

Section 7.7 **Loans.** Borrower will not make loans or advances to any Person, other than (i) trade credit extended in the ordinary course of its business, and (ii) advances for business travel and similar temporary advances made in the ordinary course of business to officers, stockholders, directors, and employees.

Section 7.8 **Contingent Liabilities.** Borrower will not assume, guarantee, endorse, contingently agree to purchase or otherwise become liable upon the obligation of any Person, except by the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business.

Section 7.9 **Subsidiaries.** Borrower will not form any subsidiary, or make any investment in or any loan in the nature of an investment to, any other Person without prior written notice to and the prior written consent of Lender, which consent shall not be unreasonably withheld.

Section 7.10 **Compliance with ERISA.** Borrower will not permit with respect to any Plan covered by Title IV of ERISA any Prohibited Transaction or any Reportable Event.

Section 7.11 **Certificates of Need.** Borrower will not amend, alter or suspend or terminate or make provisional in any material way, any certificate of need or provider

number without the prior written consent of Lender, which consent shall not be unreasonably withheld.

Section 7.12 **Transactions with Affiliates.** Borrower will not enter into any transaction, including without limitation the purchase, sale, or exchange of property, or the loaning or giving of funds to any Affiliate or subsidiary, except in the ordinary course of business and pursuant to the reasonable requirements of Borrower's business and upon terms substantially the same and no less favorable to Borrower as it would obtain in a comparable arm's length transaction with any Person not an Affiliate or subsidiary, and so long as the transaction is not otherwise prohibited under this Agreement. For purposes of the foregoing, Lender consents to the transactions described on Schedule 7.12.

Section 7.13 **Use of Lender's Name.** Borrower will not use Lender's name (or the name of any of Lender's affiliates) in connection with any of its business operations. Borrower may disclose to third parties that Borrower has a borrowing relationship with Lender. Nothing contained in this Agreement is intended to permit or authorize Borrower to make any contract on behalf of Lender.

Section 7.14 **Change in Capital Structure.** There shall occur no change in the ownership of Borrower's capital stock or in Borrower's capital structure, both as set forth in Schedule 4.17.

Section 7.15 **Contracts and Agreements.** Borrower will not become or be a party to any contract or agreement which would breach this Agreement, or breach any other instrument, agreement, or document to which Borrower is a party or by which it is or may be bound.

Section 7.16 **Margin Stock.** Borrower will not carry or purchase any "margin security" within the meaning of Regulations U, T or X of the Board of Governors of the Federal Reserve System.

Section 7.17 **Truth of Statements and Certificates.** Borrower will not furnish to Lender any certificate or other document that contains any untrue statement of a material fact or that omits to state a material fact necessary to make it not misleading in light of the circumstances under which it was furnished.

ARTICLE VIII

EVENTS OF DEFAULT

Section 8.1 **Events of Default.** Each of the following (individually, an "Event of Default" and collectively, the "Events of Default") shall constitute an event of default under this Agreement:

(a) A default in the payment of any installment of principal of, or interest upon, the Note when due and payable, whether at maturity or otherwise, or any breach of Section 2.3, which default or breach, as applicable, shall have continued

unremedied for a period of five (5) days after written notice of the default or breach from Lender to Borrower;

(b) A default in the payment of any other charges, fees, or other monetary obligations owing to Lender arising out of or incurred in connection with this Agreement when such payment is due and payable, which default shall have continued unremedied for a period of five (5) days after written notice of the default from Lender to Borrower;

(c) A default in the due observance or performance by Borrower or any guarantor of the Obligations of any other term, covenant or agreement contained in any of the Loan Documents, which default shall have continued unremedied for a period of ten (10) days after written notice of the default from Lender to Borrower;

(d) Any representation or warranty made by Borrower in this Agreement or in any of the other Loan Documents, any financial statement, or any statement or representation made in any other certificate, report or opinion delivered in connection with this Agreement or the other Loan Documents proves to have been incorrect or misleading in any material respect when made, which default shall have continued unremedied for a period of ten (10) days after written notice of the default from Lender to Borrower;

(e) Any obligation of Borrower (other than its Obligations under this Agreement) for the payment of Borrowed Money is not paid when due or within any applicable grace period, or such obligation becomes or is declared to be due and payable before the expressed maturity of the obligation, or there shall have occurred an event which, with the giving of notice or lapse of time, or both, would cause any such obligation to become, or allow any such obligation to be declared to be, due and payable;

(f) Borrower makes an assignment for the benefit of creditors, offers a composition or extension to creditors, or makes or sends notice of an intended bulk sale of any business or assets now or hereafter conducted by Borrower;

(g) (i) Borrower files a petition in bankruptcy, (ii) Borrower is adjudicated insolvent or bankrupt, petitions or applies to any tribunal for any receiver of or any trustee for itself or any substantial part of its property, (iii) Borrower commences any proceeding relating to itself under any reorganization, arrangement, readjustment or debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, (iv) any such proceeding is commenced against Borrower and such proceeding remains undismissed for a period of sixty (60) days, (v) Borrower by any act indicates its consent to, approval of, or acquiescence in, any such proceeding or the appointment of any receiver of or any trustee for a Borrower or any substantial part of its property, or suffers any such receivership or trusteeship to continue undischarged for a period of sixty (60) days;

(h) One or more final judgments against Borrower or attachments against its property not fully and unconditionally covered by insurance shall be rendered

by a court of record and shall remain unpaid, unstayed on appeal, undischarged, unbonded and undismissed for a period of thirty (30) days;

(i) A Reportable Event which might constitute grounds for termination of any Plan covered by Title IV of ERISA or for the appointment by the appropriate United States District Court of a trustee to administer any such Plan or for the entry of a lien or encumbrance to secure any deficiency, has occurred and is continuing thirty (30) days after its occurrence, or any such Plan is terminated, or a trustee is appointed by an appropriate United States District Court to administer any such Plan, or the Pension Benefit Guaranty Corporation institutes proceedings to terminate any such Plan or to appoint a trustee to administer any such Plan, or a lien or encumbrance is entered to secure any deficiency or claim;

(j) Any outstanding stock of Borrower is sold or otherwise transferred by the Person owning such stock on the date of this Agreement;

(k) There shall occur any uninsured damage to or loss, theft or destruction of any portion of the Collateral that exceeds $100,000 in the aggregate;

(1) Borrower breaches or violates the terms of, or a default or an event which could, whether with notice or the passage of time, or both, constitute a default, occurs under any other existing or future agreement (related or unrelated) between Borrower and Lender;

(m) Upon the issuance of any execution or distraint process against Borrower or any of its property or assets;

(n) Borrower ceases any material portion of its business operations as currently conducted;

(o) Any indication or evidence is received by Lender that Borrower may have directly or indirectly been engaged in any type of activity which, in Lender’s discretion, may result in the forfeiture of any property of Borrower to any Governmental Authority, which default shall have continued unremedied for a period of ten (10) days after written notice from Lender;

(p) Borrower or any Affiliate of Borrower, shall challenge or contest, in any action, suit or proceeding, the validity or enforceability of this Agreement, or any of the other Loan Documents, the legality or the enforceability of any of the Obligations or the perfection or priority of any Lien granted to Lender;

(q) Borrower shall be criminally indicted or convicted under any law that is reasonably likely to lead to a forfeiture of any Collateral;

(r) There shall occur a material adverse change in the financial condition or business prospects of Borrower, or if Lender in good faith deems itself insecure as a result of acts or events bearing upon the financial condition of Borrower or

the repayment of the Note, which default shall have continued unremedied for a period of ten (10) days after written notice from Lender; or

(s) A default or event of default occurs under any other note, instrument, deed of trust, mortgage, loan agreement, security agreement, letter agreement or other document executed and delivered by Borrower or Guarantor, or any Affiliate of Borrower or Guarantor, in connection with any financing provided by Lender or Lender's Affiliate to any such parties;

Section 8.2 **Acceleration.** Upon the occurrence of any of the foregoing Events of Default, the Note shall become and be immediately due and payable upon declaration to that effect delivered by Lender to Borrower; provided that, upon the happening of any event specified in Section 8.1(g), the Note shall be immediately due and payable without declaration or other notice to Borrower.

Section 8.3 **Remedies.**

(a) Upon the occurrence of and during the continuance of an Event of Default under this Agreement or the other Loan Documents, Lender, in addition to all other rights, options, and remedies granted to Lender under this Agreement or at law or in equity, may take any of the following steps (which list is given by way of example and is not intended to be an exhaustive list of all such rights and remedies):

(i) Terminate the Loan, whereupon all outstanding Obligations (including without limitation the Termination Fee which fee shall also be due and payable upon acceleration hereunder) shall be immediately due and payable;

(ii) Exercise all other rights granted to it under this Agreement and all rights under the UCC in effect in the applicable jurisdiction(s) and under any other applicable law; and

(iii) Exercise all rights and remedies under all Loan Documents now or hereafter in effect, including but not limited to:

(A) The right to take possession of, send notices regarding, and collect directly the Collateral, with or without judicial process;

(B) The right to (by its own means or with judicial assistance) enter any of Borrower's premises and take possession of the Collateral, or render it unusable, or dispose of the Collateral on such premises in compliance with subsection (C) below, without any liability for rent, storage, utilities, or other sums, and Borrower shall not resist or interfere with such action;

(C) The right to require Borrower at Borrower's expense to assemble all or any part of the Collateral and make it available to Lender at any place designated by Lender; and

(D) The right to reduce the Maximum Loan Amount or to use the Collateral and/or funds in the Concentration Account in amounts up to the Maximum Loan Amount for any reason.

(b) Borrower agrees that a notice received by it at least five (5) days before the time of any intended public sale, or the time after which any private sale or other disposition of the Collateral is to be made, shall be deemed to be reasonable notice of such sale or other disposition. If permitted by applicable law, any perishable Collateral which threatens to speedily decline in value or which is sold on a recognized market may be sold immediately by Lender without prior notice to Borrower. At any sale or disposition of Collateral, Lender may (to the extent permitted by applicable law) purchase all or any part of the Collateral, free from any right of redemption by Borrower, which right is hereby waived and released. Borrower covenants and agrees not to interfere with or impose any obstacle to Lender's exercise of its rights and remedies with respect to the Collateral.

Section 8.4 **Nature of Remedies.** Lender shall have the right to proceed against all or any portion of the Collateral to satisfy [the liabilities and Obligations of Borrower to Lender in any order. All rights and remedies granted Lender under this Agreement and under any agreement referred to in this Agreement, or otherwise available at law or in equity, shall be deemed concurrent and cumulative, and not alternative remedies, and Lender may proceed with any number of remedies at the same time until the Loans, and all other existing and future liabilities and obligations of Borrower to Lender, are satisfied in full. The exercise of anyone right or remedy shall not be deemed a waiver or release of any other right or remedy, and Lender, upon the occurrence of an Event of Default, may proceed against Borrower, and/or the Collateral, at any time, under any agreement, with any available remedy and in any order.

ARTICLE IX

MISCELLANEOUS

Section 9.1 **Expenses and Taxes.**

(a) Borrower agrees to pay, whether or not the Closing occurs, a reasonable documentation preparation fee, together with actual audit and appraisal fees and all other out-of-pocket charges and expenses incurred by Lender in connection with the negotiation, preparation, legal review and execution of each of the Loan Documents, including but not limited to UCC and judgment lien searches and UCC filings and fees for post-Closing UCC and judgment lien searches. In addition, Borrower shall pay all such fees associated with any amendments to the Loan Documents following Closing.

(b) Borrower also agrees to pay all out-of-pocket charges and expenses incurred by Lender (including the fees and expenses of Lender's counsel) in connection with the enforcement, protection or preservation of any right or claim of Lender, the termination of this Agreement, the termination of any liens of Lender on the

Collateral, and the collection of any amounts due under the Loan Documents. If Lender uses in-house counsel for any of these purposes (i.e., for any task in connection with the enforcement, protection or preservation of any right or claim of Lender and the collection of any amounts due under its Loan Documents), Borrower further agrees that its Obligations under the Loan Documents include reasonable charges for such work commensurate with the fees that would otherwise be charged by outside legal counsel selected by Lender for the work performed.

(c) Borrower shall pay all taxes (other than taxes based upon or measured by Lender's income or revenues or any personal property tax), if any, in connection with the issuance of the Note and the recording of the security documents therefor. The obligations of Borrower under this clause (c) shall survive the payment of Borrower's indebtedness under this Agreement and the termination of this Agreement.

Section 9.2 **Entire Agreement; Amendments.** This Agreement and the other Loan Documents constitute the full and entire understanding and agreement among the parties with regard to their subject matter and supersede all prior written or oral agreements, understandings, representations and warranties made with respect thereto. No amendment, supplement or modification of this Agreement nor any waiver of any provision thereof shall be made except in writing executed by the party against whom enforcement is sought.

Section 9.3 **No Waiver; Cumulative Rights.** No waiver by any party to this Agreement of anyone or more defaults by the other party in the performance of any of the provisions of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or different nature. No failure or delay on the part of any party in exercising any right, power or remedy under this Agreement shall operate as a waiver of such right, power or remedy nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise of such right, power or remedy or the exercise of any other right, power or remedy. The remedies provided for in this Agreement are cumulative and are not exclusive of any remedies that may be available to any party to this Agreement at law, in equity or otherwise.

Section 9.4 **Notices.** Any notice or other communication required or permitted under this Agreement shall be in writing and personally delivered, mailed by registered or certified mail (return receipt requested and postage prepaid), sent by telecopier (with a confirming copy sent by regular mail), or sent by prepaid overnight courier service, and addressed to the relevant party at its address set forth below, or at such other address as such party may, by written notice, designate as its address for. purposes of notice under this Agreement:

(a) If to Lender, at:

Heller Healthcare Finance, Inc.
2 Wisconsin Circle, 4th Floor
Chevy Chase, Maryland 20815
Attention: Pascale Bissainthe, Deputy General Counsel
Telephone: (301) 961-1640
Telecopier: (301) 664-9866

(b) If to Borrower, at:

Orion Imaging Systems, Inc.
9350 Trade Place
San Diego, California 92126
Attention: Ms. Joyce Mehrberg, CFO
Telephone: (858) 530-1201
Telecopier: (858) 549-7714

If mailed, notice shall be deemed to be given five (5) days after being sent, and if sent by personal delivery, telecopier or prepaid courier, notice shall be deemed to be given when delivered.

Section 9.5 **Severability.** If any term, covenant or condition of this Agreement, or the application of such term, covenant or condition to any party or circumstance shall be found by a court of competent jurisdiction to be, to any extent, invalid or unenforceable, the remainder of this Agreement and the application of such term, covenant, or condition to parties or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term, covenant or condition shall be valid and enforced to the fullest extent permitted by law. Upon determination that any such term is invalid, illegal or unenforceable, Lender may, but is not obligated to, advance funds to Borrower under this Agreement until the parties to this Agreement amend this Agreement so as to effect the original intent of the parties as closely as possible in a valid and enforceable manner.

Section 9.6 **Successors and Assigns.** This Agreement, the Note, and the other Loan Documents shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns. Notwithstanding the foregoing, Borrower may not assign any of its rights or delegate any of its obligations under this Agreement without the prior written consent of Lender, which may be withheld in its sole discretion. Lender may sell, assign, transfer, or participate any or all of its rights or obligations under this Agreement without notice to or consent of Borrower.

Section 9.7 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute but one instrument.

Section 9.8 **Interpretation.** No provision of this Agreement or any other Loan Document shall be interpreted or construed against any party because that party or its legal representative drafted that provision. The titles of the paragraphs of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement. Any pronoun used in this Agreement shall be deemed to include singular and plural and masculine,

feminine and neuter gender as the case may be. The words "herein," "hereof," and "hereunder" shall be deemed to refer to this entire Agreement, except as the context otherwise requires.

Section 9.9 **Survival of Terms.** All covenants, agreements, representations and warranties made in this Agreement, any other Loan Document, and in any certificates and other instruments delivered in connection with this Agreement shall be considered to have been relied upon by Lender and shall survive the making by Lender of the Loans contemplated by this Agreement and the execution and delivery to Lender of the Note, and shall continue in full force and effect until all liabilities and obligations of Borrower to Lender are satisfied in full.

Section 9.10 **INTENTIONALLY DELETED**

Section 9.11 **Time.** Whenever Borrower is required to make any payment or perform any act on a Saturday, Sunday, or a legal holiday under the laws of the State of Maryland (or other jurisdiction where Borrower is required to make the payment or perform the act), the payment may be made or the act performed on the next Business Day. Time is of the essence in Borrower's performance under this Agreement and all other Loan Documents.

Section 9.12 **Commissions.** The transaction contemplated by this Agreement was brought about by Lender and Borrower acting as principals and without any brokers, agents, or finders being the effective procuring cause. Borrower represents that it has not committed Lender to the payment of any brokerage fee, commission, or charge in connection with this transaction. If any such claim is made on Lender by any broker, finder, or agent or other person, Borrower will indemnify, defend, and hold Lender harmless from and against the claim and will defend any action to recover on that claim, at Borrower's cost and expense, including Lender's counsel fees. Borrower further agrees that until any such claim or demand is adjudicated in Lender's favor, the amount demanded will be deemed a liability of Borrower under this Agreement, secured by the Collateral.

Section 9.13 **Third Parties.** No rights are intended to be created under this Agreement or under any other Loan Document for the benefit of any third party donee, creditor, or incidental beneficiary of Borrower. Nothing contained in this Agreement shall be construed as a delegation to Lender of Borrower's duty of performance, including without limitation Borrower's duties under any account or contract in which Lender has a security interest.

Section 9.14 **Discharge of Borrower's Obligations.** Lender, in its sole discretion, shall have the right at any time, and from time to time, without prior notice to

Borrower if Borrower fails to do so, to: (i) obtain insurance covering any of the Collateral as required under this Agreement; (ii) pay for the performance of any of Borrower's obligations under this Agreement; (iii) discharge taxes, liens, security interests, or other encumbrances at any time levied or placed on any of the Collateral in violation of this Agreement unless Borrower is in good faith with due diligence by appropriate proceedings contesting those items; and (iv) pay for the maintenance and preservation of any of the Collateral. Expenses and advances shall be added to the Loan, until reimbursed to Lender and shall be secured by the Collateral. Any such payments and advances by Lender shall not be construed as a waiver by Lender of an Event of Default.

Section 9.15 **Information to Participants.** Lender may divulge (subject to a confidentiality agreement reasonably satisfactory to Borrower) to any participant (who in no event may be a competitor of Borrower or its Affiliates). it may obtain in the Loan, or any portion of the Loan, all information, and furnish to such participant copies of reports, financial statements, certificates, and documents obtained under any provision of this Agreement or any other Loan Document.

Section 9.16 **Indemnity.** Borrower hereby agrees to indemnify and hold harmless Lender, its partners, officers, agents and employees (collectively, "Indemnitee") from and against any liability, loss, cost, expense, claim, damage, suit, action or proceeding ever suffered or incurred by Lender (including reasonable attorneys' fees and expenses) arising from Borrower's failure to observe, perform or discharge any of its covenants, obligations, agreements or duties under this Agreement, or from the breach of any of the representations or warranties contained in Article IV of this Agreement. In addition, Borrower shall defend Indemnitee against and save it harmless from all claims of any Person with respect to the Collateral. Notwithstanding any contrary provision in this Agreement, the obligation of Borrower under this Section 9.16 shall survive the payment in full of the Obligations and the termination of this Agreement.

Section 9.17 **Lender Approvals.** Unless expressly provided herein to the contrary, any approval, consent, waiver or satisfaction of Lender with respect to any matter that is the subject of this Agreement, the other Loan Documents may be granted or withheld by Lender in its sole and absolute discretion.

Section 9.18 **Choice of Law: Consent to Jurisdiction.** **THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF MARYLAND, WITHOUT REGARD TO ANY OTHERWISE APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS. IF ANY ACTION ARISING OUT OF THIS AGREEMENT OR THE NOTE IS COMMENCED BY LENDER IN THE ST ATE COURTS OF THE STATE OF MARYLAND OR IN THE U.S. DISTRICT COURT FOR THE DISTRICT OF MARYLAND, BORROWER HEREBY CONSENTS TO THE JURISDICTION OF ANY SUCH COURT IN ANY SUCH ACTION AND TO THE LAYING OF VENUE IN THE STATE OF MARYLAND. ANY PROCESS IN ANY SUCH ACTION SHALL BE DULY SERVED IF MAILED BY REGISTERED MAIL, POSTAGE PREPAID, TO BORROWER AT ITS**

ADDRESS DESCRIBED IN SECTION 9.4. OR IF SERVED BY ANY OTHER MEANS PERMITTED BY APPLICABLE LAW.

Section 9.19 **Waiver of Trial by Jury.** **BORROWER HEREBY (A) COVENANTS AND AGREES NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY A JURY, AND (B) WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN, KNOWINGLY AND VOLUNTARILY, BY BORROWER, AND THIS WAIVER IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A JURY TRIAL WOULD OTHERWISE ACCRUE. LENDER IS HEREBY AUTHORIZED AND REQUESTED TO SUBMIT THIS AGREEMENT TO ANY COURT HAVING JURISDICTION OVER THE SUBJECT MATTER AND THE PARTIES TO THIS AGREEMENT, SO AS TO SERVE AS CONCLUSIVE EVIDENCE OF BORROWER'S**

WAIVER OF THE RIGHT TO JURY TRIAL. FURTHER, BORROWER HEREBY CERTIFIES THAT NO REPRESENTATIVE OR AGENT OF LENDER (INCLUDING LENDER'S COUNSEL) HAS REPRESENTED, EXPRESSLY OR OTHERWISE, TO BORROWER THAT LENDER WILL NOT SEEK TO ENFORCE THIS WAIVER OF RIGHT TO JURY TRIAL PROVISION.

Section 9.20 Confession of Judgment. UPON THE OCCURRENCE OF AN EVENT OF DEFAULT, BORROWER AUTHORIZES ANY ATTORNEY ADMITTED TO PRACTICE BEFORE ANY COURT OF RECORD IN THE UNITED STATES OR THE CLERK OF SUCH COURT TO APPEAR ON BEHALF OF BORROWER IN ANY COURT IN ONE OR MORE PROCEEDINGS, OR BEFORE ANY CLERK THEREOF OF PROTHONOTARY OR OTHER COURT OFFICIAL, AND TO CONFESS JUDGMENT AGAINST BORROWER IN FAVOR OF LENDER IN THE FULL AMOUNT DUE ON THIS AGREEMENT (INCLUDING PRINCIPAL, ACCRUED INTEREST AND ANY AND ALL CHARGES, FEES AND COSTS) PLUS REASONABLE ATTORNEYS' FEES NOT TO EXCEED FIFTEEN PERCENT (15%) OF THE AMOUNT DUE, PLUS COURT COSTS, ALL WITHOUT PRIOR NOTICE OR OPPORTUNITY OF BORROWER FOR PRIOR HEARING. BORROWER AGREES AND CONSENTS THAT VENUE AND JURISDICTION SHALL BE PROPER IN THE CIRCUIT COURT OF ANY COUNTY OF THE STATE OF MARYLAND OR OF BALTIMORE CITY, MARYLAND, OR IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MARYLAND. BORROWER WAIVES THE BENEFIT OF ANY AND EVERY STATUTE, ORDINANCE, OR RULE OF COURT WHICH MAY BE LAWFULLY WAIVED CONFERRING UPON BORROWER ANY RIGHT OR PRIVILEGE OF EXEMPTION, HOMESTEAD RIGHTS, STAY OF EXECUTION, OR SUPPLEMENTARY PROCEEDINGS, OR OTHER RELIEF FROM THE ENFORCEMENT OR IMMEDIATE ENFORCEMENT OF A JUDGMENT OR RELATED PROCEEDINGS ON A JUDGMENT. THE AUTHORITY AND POWER TO APPEAR FOR AND ENTER JUDGMENT AGAINST BORROWER SHALL NOT BE EXHAUSTED BY ONE

OR MORE EXERCISES THEREOF, OR BY ANY IMPERFECT EXERCISE THEREOF, AND SHALL NOT BE EXTINGUISHED BY ANY JUDGMENT ENTERED PURSUANT THERETO; SUCH AUTHORITY AND POWER MAY BE EXERCISED ON ONE OR MORE OCCASIONS FROM TIME TO TIME, IN THE SAME OR DIFFERENT JURISDICTIONS, AS OFTEN AS LENDER SHALL DEEM NECESSARY, CONVENIENT, OR PROPER.

[SIGNATURES FOLLOW]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first written above.

LENDER:

HELLER HEALTHCARE FINANCE, INC.
a Delaware corporation

By: */s/ Joseph Prandoni*
Name: JOSEPH PRANDONI
Title: VICE PRESIDENT

BORROWER:

ORION IMAGING SYSTEMS, INC.
a Delaware corporation

By: */s/ Joyce Mehrberg*
Name: Joyce Merhberg
Title: CFO

DIGIRAD IMAGING SYSTEMS, INC.
a Delaware corporation

By: */s/ Joyce Mehrberg*
Name: Joyce Merhberg
Title: CFO

LIST OF EXHIBITS

Exhibit A - Form of Revolving Credit Note

Exhibit B - Form of Lockbox Agreement

LIST OF SCHEDULES

SCHEDULE 1.36

PERMITTED LIENS

ALL UCC FILINGS REFLECTED IN UCC SEARCH RESULTS.

SCHEDULE 4.1

SUBSIDIARIES

1. DIGIRAD IMAGING SYSTEMS, INC. is a subsidiary of ORION IMAGING SYSTEMS, INC.

SCHEDULE 4.5

LITIGATION

NONE.

SCHEDULE 4.7

TAX IDENTIFICATION NUMBERS

1.	ORION IMAGING SYSTEMS, INC.:	33-0919092
2.	DIGIRAD IMAGING SYSTEMS, INC:	33-0912524

SCHEDULE 4.13

NON-COMPLIANCE WITH LAW

NONE.

SCHEDULE 4.14

ENVIRONMENTAL MATTERS

NONE.

SCHEDULE 4.15

PLACES OF BUSINESS

1. ORION IMAGING SYSTEMS, INC.:

   1) 9350 Trade Place
   San Diego, CA 92126

   2) The Mark Building
   3223 Phoenixville Pike, Suite C
   Malvern, PA 19355

   3) 2579-P Eric Lane
   Piedmont Business Center
   Burlington, NC 27215

   4) 15215 Shady Grove Road, Suite 100
   Rockville, MD 20850

   5) 2241 Corsons Lane, Unit D
   Plymouth Meeting, PA 19462

   6) 128 S. Moon Avenue
   Brandon, FL 33511

2. DIGIRAD IMAGING SYSTEMS, INC.:

   1) 9350 Trade Place
   San Diego, CA 92126

   2) The Mark Building
   3223 Phoenixville Pike, Suite C
   Malvem, PA 19355

   3) 2579-P Eric Lane
   Piedmont Business Center
   Burlington, NC 27215

   4) 15215 Shady Grove Road, Suite 100
   Rockville, MD 20850

   5) 2241 Corsons Lane, Unit D
   Plymouth Meeting, PA 19462

SCHEDULE 4.16

LICENSES

NONE.

SCHEDULE 4.17

STOCK OWNERSHIP

1. DIGIRAD CORPORATION owns 100% of ORION IMAGING SYSTEMS, INC.

2. ORION IMAGING SYSTEMS, INC. owns 100% of DIGIRAD IMAGING SYSTEMS, INC.

SCHEDULE 4.19

BORROWINGS AND GUARANTEES

NONE.

SCHEDULE 4.21

TRADE NAMES

1. ORION IMAGING SYSTEMS, INC.

2. DIGIRAD IMAGING SYSTEMS, INC.

SCHEDULE 4.22

JOINT VENTURES

NONE.

SCHEDULE 6.1

FINANCIAL REPORTING

SEE ATTACHED.

ACCOUNTING CALENDAR - 2001

January

Mon	Tue	Wed	Thu	Fri	Sat	Sun
1	2	3	**4**	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28

February

Mon	Tue	Wed	Thu	Fri	Sat	Sun
29	30	31	1	2	3	4

5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25

March

Mon	Tue	Wed	Thu	Fri	Sat	Sun
26	27	28	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	1

April

Mon	Tue	Wed	Thu	Fri	Sat	Sun
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29

May

Mon	Tue	Wed	Thu	Fri	Sat	Sun
30	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27

June

Mon	Tue	Wed	Thu	Fri	Sat	Sun
28	29	30	31	1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	1

Bold = Company Holiday

ACCOUNTING CALENDAR - 2000

July

Mon	Tue	Wed	Thu	Fri	Sat	Sun
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29

August

Mon	Tue	Wed	Thu	Fri	Sat	Sun
30	31	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26

September

Mon	Tue	Wed	Thu	Fri	Sat	Sun
27	28	29	30	31	1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

October

Mon	Tue	Wed	Thu	Fri	Sat	Sun
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28

November

Mon	Tue	Wed	Thu	Fri	Sat	Sun
29	30	31	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	**22**	**23**	24	25

December

Mon	Tue	Wed	Thu	Fri	Sat	Sun
26	27	28	29	30	1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	**25**	26	27	28	29	30

Bold = Company Holiday

SCHEDULE 7.12

TRANSACTIONS WITH AFFILIATES

NONE.

$5,000,000.00

AMENDMENT NO. 1

TO

LOAN AND SECURITY AGREEMENT

originally dated as of January 9, 2001

by and among

DIGIRAD IMAGING SOLUTIONS, INC.
(formerly known as Orion Imaging Systems, Inc.),

DIGIRAD IMAGING SYSTEMS, INC.

and

HELLER HEALTHCARE FINANCE, INC.

Amended as of January , 2002

AMENDMENT NO. 1 TO LOAN AND SECURITY AGREEMENT

THIS AMENDMENT NO. 1 TO LOAN AND SECURITY AGREEMENT (this "Amendment") is made as of this day of January, 2002, by and among DIGIRAD IMAGING SOLUTIONS, INC. (formerly known as Orion Imaging Systems, Inc.), a Delaware corporation, and DIGIRAD IMAGING SYSTEMS, INC., a Delaware corporation (collectively, "Borrower"), and HELLER HEALTHCARE FINANCE, 'INC., a Delaware corporation ("Lender").

RECITALS

A. Pursuant to that certain Loan and Security Agreement dated January 9, 2001 by and between Borrower and Lender (as amended hereby and as may be further amended from time to time, the "Loan Agreement"), the parties have established certain financing arrangements that allow Borrower to borrow funds from Lender in accordance with the terms and conditions set forth in the Loan Agreement.

B. The parties now desire to amend the Loan Agreement in accordance with the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained in this Amendment, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lender and Borrower have agreed to the following amendments to the Loan Agreement. Capitalized terms used but not defined in this Amendment shall have the meanings that are set forth in the Loan Agreement.

1. Amendment to Loan Agreement. Section 7.1 of the Loan Agreement is hereby deleted in its entirety and restated as follows:

"**Section 7.1. Borrowing.** Borrower will not create, incur, assume or suffer to exist any liability for Borrowed Money except: (i) indebtedness to Lender; (ii) indebtedness of Borrower secured by mortgages, encumbrances or liens expressly permitted by Section 7.3; (iii) accounts payable to trade creditors and current operating expenses (other than for borrowed money) which are not aged more than one hundred twenty (120) days from the billing date or more than sixty (60) days from the due date, in each case incurred in the ordinary course of business and paid within such time period, unless the same are being contested in good faith and by appropriate and lawful proceedings, and Borrower shall have set aside such reserves, if any, with respect thereto as are required by GAAP and deemed adequate by Borrower and its independent accountants; (iv) beginning with the first calendar quarter of 2002 and continuing until the first quarter of 2003, equipment lease and purchase money security interest transactions up to $3,000,000 per

calendar quarter; (v) beginning with the first calendar quarter of 2003 and continuing until the first quarter of 2004, equipment lease and purchase money transactions up to $4,000,000 per calendar quarter, provided that Borrower achieves positive Net Income (in accordance with GAAP, but prior to any allocation for shared corporate overhead expenses with Guarantor) for the preceding calendar quarter; and (vi) borrowings incurred in the ordinary course of its business and not exceeding $75,000.00 in the aggregate outstanding at anyone time. Borrower will not make prepayments on any existing or future indebtedness for Borrowed Money to any Person (other than Lender, to the extent permitted by this Agreement or any subsequent agreement between Borrower and Lender)."

2. Waiver. Lender hereby waives Borrower's failure to comply with Section 7.1(v) of the Loan Agreement through the date of this Amendment. Nothing contained in this Amendment or in any other communications between Lender and Borrower shall be deemed to constitute or shall be construed as a waiver or release of any other provision of the Loan Agreement.

3. Fees and Costs. In consideration of Lender's agreement to enter into this Amendment, Borrower hereby agrees to pay to Lender a fee equal to Fifteen Thousand Dollars ($15,000); provided, however, that in the event the initial public offering for Guarantor does not occur on or before April 26, 2002, the Borrower shall pay to Lender an additional fee equal to Ten Thousand Dollars ($10,000) (all of the foregoing amounts being referred to herein as the "Fee"). The first $15,000 portion of the Fee shall be due and payable by Borrower on the date of its execution and delivery of this Amendment, and the second portion of the Fee, if applicable, shall be due and payable by Borrower by the close of business on April 26, 2002. The Fee shall constitute a portion of the Obligations evidenced by the Note and secured by the Loan Agreement and other Loan Documents. Borrower hereby authorizes Lender to deduct the Fee from the proceeds of the next Revolving Credit Loan. Borrower shall be responsible for the payment of all reasonable fees of Lender's in-house counsel incurred in connection with the preparation of this Amendment and any related documents. Borrower hereby authorizes Lender to deduct all of such fees set forth in this Section 2 from the proceeds of the next Revolving Credit Loan.

4. Schedules. Borrower hereby represents and warrants that the information set forth on the Schedules attached to the original Loan Agreement is true and correct as of the date of this Agreement.

5. Reference to the Effect on the Loan Agreement.

(a) Upon the effectiveness of this Amendment, each reference in the Loan Agreement to "this Agreement," "hereunder," "hereof," "herein" or words of similar import shall mean and be a reference to the Loan Agreement as amended by this Amendment.

(b) Except as specifically amended above, the Loan Agreement and all other Loan Documents shall remain in full force and effect, and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided in this Amendment, operate as a waiver of any right, power or remedy of Lender, nor constitute a waiver of any provision of the Loan Agreement, or any other, documents, instruments and agreements executed or delivered in connection with the Loan Agreement.

6. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of Maryland.

7. Headings. Section headings in this Amendment are included for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

8. Counterparts. This Amendment may be executed in counterparts, and both counterparts taken together shall be deemed to constitute one and the same instrument.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed as of the date first written above.

LENDER:

HELLER HEALTHCARE FINANCE, INC.
a Delaware corporation

By: */s/ J. Anthony Romero*
Name: J. Anthony Romero
Title: Vice President

BORROWER:

DIGIRAD IMAGING SOLUTIONS, INC.
(formerly known as Orion Imaging Systems, Inc.),
a Delaware corporation

By: */s/ John Dahldorf*
Name: John Dahldorf
Title: CFO

DIGRAD IMAGING SYSTEMS, INC.,
a Delaware corporation

By: */s/ John Dahldorf*
Name: John Dahldorf
Title: CFO

$5,000,000.00 REVOLVING CREDIT LOAN

AMENDMENT NO. 2

TO

LOAN AND SECURITY AGREEMENT

originally dated as of January 9, 2001

by and among

DIGIRAD IMAGING SOLUTIONS, INC.

(formerly known as Orion Imaging Systems, Inc.)

and

DIGIRAD IMAGING SYSTEMS, INC.

and

HELLER HEALTHCARE FINANCE, INC.

Amended as of August 1, 2002

AMENDMENT NO. 2 TO LOAN AND SECURITY AGREEMENT

THIS AMENDMENT NO. 2 TO LOAN AND SECURITY AGREEMENT (this "Amendment") is made as of this 1st day of August, 2002, by and among **DIGIRAD IMAGING SOLUTIONS, INC.** (**formerly known as Orion Imaging Systems, Inc.**), a Delaware corporation, and **DIGIRAD IMAGING SYSTEMS, INC**., a Delaware corporation (collectively, "Borrower"), and **HELLER HEALTHCARE FINANCE, INC.**, a Delaware corporation and a GE Capital Company ("Lender").

RECITALS

A. Pursuant to that certain Loan and Security Agreement dated January 9, 2001 by and between Borrower and Lender (the "Loan Agreement"), the parties have established certain financing arrangements that allow Borrower to borrow funds from Lender in accordance with the terms and conditions set forth in the Loan Agreement.

B. The parties now desire to amend the Loan Agreement to extend the Term of the Loan and to make other modifications, all in accordance with the terms and conditions set forth below.

C. Capitalized terms used but not defined in this Amendment shall have the meanings that are set forth in the Loan Agreement.

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained in this Amendment, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lender and Borrower have agreed to the following amendments to the Loan Agreement.

1. **Amendments to Loan Agreement**. The Loan Agreement is hereby amended as follows:

(a) Amendment to Section 1.5. Section 1.5 setting forth the definition of "Base Rate" is deleted in its entirety and replaced as follows:

Section 1.5. Base Rate. "Base Rate" means a rate of interest equal to one and one-quarter percent (1.25%) above the Prime Rate of Interest; provided, however, that in no event shall the Base Rate fall below eight and one-quarter percent (8.25%) so long as this Agreement remains in effect."

(b) Amendment to Section 1.46. Section 1.46 setting forth the definition of "Base Rate" is deleted in its entirety and replaced as follows:

"Section 1.46 Termination Fee. "Termination Fee" shall mean a fee payable upon termination of the Agreement, as yield maintenance for the loss of bargain and not as a penalty, equal to the greater of (a) two percent (2%) of the Maximum Loan Amount and (b) the Yield Maintenance Amount."

(c) Amendment to Section 2.8(a). Section 2.8(a) is hereby deleted in its entirety and amended restated as follows:

"(a) Subject to Lender's right to cease making Revolving Credit Loans to Borrower upon or after any Event of Default, this Agreement shall be in effect through and including December 31, 2004, unless terminated as provided in this Section 2.8 (the "Term"), and this Agreement shall be renewed for one-year periods thereafter upon the mutual written agreement of the parties."

3. **Confirmation of Representation. Warranties and Covenants.** Each Borrower hereby (a) confirms that all of the representations and warranties set forth in Article IV of the Loan Agreement are true and correct with respect to such Borrower as of the date hereof, and each Borrower covenants to perform its obligations under the Loan Agreement, and (b) specifically represents and warrants to Lender that it has good and marketable title to all of its respective Collateral, free and clear of any lien or security interest in favor of any other person or entity.

4. **Updated Schedules**. As a condition precedent to Lender's agreement to enter into this Amendment, and in order for this Amendment to be effective, Borrower shall revise, update and deliver to Lender all Schedules to the Loan Agreement to (a) reflect updated and accurate information with respect to each Borrower, and (b) to update all other information as necessary to make the Schedules previously delivered correct. Borrower hereby represents and warrants that the information set forth on the attached Schedules is true and correct as of the date of this Agreement. The attached Schedules are hereby incorporated into the Loan Agreement as if originally set forth therein.

5. **Enforceability**. This Amendment constitutes the legal, valid and binding obligation of each Borrower, and is enforceable against each Borrower in accordance with its terms.

6. **Fees and Costs**. In consideration of Lender's agreement to extend the Term of the Loan and to reduce the Base Rate as provided herein, Borrower hereby agrees to pay to Lender an extension fee equal to Four Thousand Dollars ($4,000), and a modification fee equal to Twenty Thousand Dollars ($20,000). In addition, Borrower shall be responsible for the payment of all reasonable fees of Lender's in-house counsel incurred in connection with the preparation of this Amendment and any related documents. All of the fees described in this Section 6 shall constitute a portion of the Obligations evidenced by the Note and secured by the Loan Agreement and other Loan Documents, and Borrower hereby authorizes Lender to deduct all of such fees set forth in this Section 6 from the proceeds of the next Revolving Credit Loan.

7. **Reference to the Effect on the Loan Agreement.**

(a) Upon the effectiveness of this Amendment, each reference in the Loan Agreement to "this Agreement," "hereunder," "hereof," "herein" or words of similar import shall mean and be a reference to the Loan Agreement as amended by this Amendment.

(b) Except as specifically amended above, the Loan Agreement, and all other Loan Documents, shall remain in full force and effect, and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided in this Amendment, operate as a waiver of any right, power or remedy of Lender, nor constitute a waiver of any provision of the Loan Agreement, or any other documents, instruments and agreements executed or delivered in connection with the Loan Agreement.

8. **Governing Law.** This Amendment shall be governed by and construed in accordance with the laws of the State of Maryland.

9. **Headings**. Section headings in this Amendment are included for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

10. **Counterparts**. This Amendment may be executed in counterparts, and both counterparts taken together shall be deemed to constitute one and the same instrument.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed as of the date first written above.

WITNESS/ATTST:

By: _____
Name:
Title:

LENDER:

HELLER HEALTHCARE FINANCE, INC.,
a Delaware corporation and a GE Capital Company

By: */s/ Brett Robinson* (SEAL)
Name: BRETT ROBINSON
Title: VICE PRESIDENT

BORROWER:

DIGIRAD IMAGING SOLUTIONS, INC.
(formerly known as Orion Imaging Systems, Inc.), a Delaware corporation

By: */s/ Susan Yeagley Sullivan*
Name: Susan Yeagley Sullivan
Title: Corp. Controller

By: */s/ John Dahldorf* (SEAL)
Name: John Dahldorf
Title: CFO

DIGIRAD IMAGING SYSTEMS, INC.
a Delaware corporation

By: */s/ Susan Yeagley Sullivan*
Name: Susan Yeagley Sullivan
Title: Corp. Controller

By: */s/ John Dahldorf* (SEAL)
Name: John DahlDorf
Title: CFO

ACKNOWLEDGEMENT OF GUARANTOR:

Guarantor, by signature below as such, for a valuable consideration, the receipt and adequacy of which are hereby acknowledged, hereby consents to and joins in this Amendment and hereby declares to and agrees with Lender: (1) that its Guaranty of the Obligations is and shall continue in full force and effect for the benefit of the Lender with respect to the Obligations, as amended by this Amendment, (2) that there are no offsets, claims, counterclaims, cross-claims or defenses of Guarantor with respect to the Guaranty nor, to Guarantor's knowledge, with respect to the Obligations, (3) that the Guaranty is not released, diminished or impaired in any way by this Amendment or the transactions contemplated hereby, and (4) that the Guaranty is hereby ratified and confirmed in all respects. Guarantor hereby acknowledges that, without this consent and reaffirmation, Lender would not execute this Amendment or otherwise consent to its terms.

WITNESS/ATTEST:

By: */s/ Susan Yeagley Sullivan*
Name: Susan Yeagley Sullivan
Title: Corp. Controller

GUARANTOR:

DIGIRAD CORPORATION
a Delaware corporation

By: */s/ John Dahldorf* (SEAL)
Name: John Dahldorf
Title: CFO

Digirad Corporation
Digirad Imaging Solutions
Locations (all leased)
as of 4/28/02

Address	City, State, ZIP	ST
7390 Trade Street	San Diego, CA 92121	CA
7394 Trade Street	San Diego, CA 92121	CA
7408 Trade Street	San Diego, CA 92121	CA

7410 Trade Street	San Diego, CA 92121	CA
7414 Trade Street	San Diego, CA 92121	CA
7444 Trade Street	San Diego, CA 92121	CA
9333 Trade Place	San Diego, CA 92126	CA
9350 Trade Place	San Diego, CA 92126	CA
7404 Trade Street	San Diego, CA 92121	CA
930 North St. #210	Allentown, PA 18102	PA
930 North St. #210	Allentown, PA 18102	PA
5 Laurel Drive	Flanders, NJ 07836 (No	NJ
1811 Executive Drive	Indianapolis, IN	IN
Bay 14, 4700 Belle Grove Rd.	Baltimore, MD 21225	MD
78248B Causeway Blvd	Tampa, FL 33619	FL
1246 Brittain Road	Akron, OH	OH
7561 Currency Drive	Orlando, FL	FL
776 Jernee Mill Road, Suite 116	Sayerville, NJ, 08872-17	NJ
251-109 Dominion Drive	Morrisville, NC (Gastonia	NC
24301 Catherine Industrial Drive, Suite 112	Novi, MI 48375-2420	MI
710 65th Street, Unit C	Schererville, IN 46375-13	IN
1217 West loop North #170	Houston, TX 77055	TX
3210 Canaan Center Drive, Unit 4	Charlotte, NC 28269-428	NC
1203 North High Street, Unit B	Millville, NJ 08332-2530	NJ
30-C 6th Road	Woburn, MA, 01801-175	MA
212 W. Spring St	Frackville, PA 17931	PA
2600 S. 162nd St.	New Berlin, WI 53151	WI
23785 Cabot Blvd. #324	Hayward, CA 94545	CA
1035 S. Milliken Ave. Ste G	Ontario, CA 91761	CA
302 W. Fallbrook, Ste 104	Fresno, CA 93711	CA
1499 SW 30th Avenue Suite 9	Boynton Beach, FL 3342	FL

$5,000 000.00 REVOLVING CREDIT LOAN

AMENDMENT NO. 3

TO

TO LOAN AND SECURITY AGREEMENT

originally dated as of January 9, 2001

by and among

DIGIRAD IMAGING SOLUTIONS, INC.

(formerly known as Orion Imaging Systems, Inc.),

DIGIRAD IMAGING SYSTEMS, INC.

and

HELLER HEALTHCARE FINANCE, INC.

Amended as of September 27, 2002

AMENDMENT NO. 3 TO LOAN AND SECURITY AGREEMENT

THIS AMENDMENT NO. 3 TO LOAN AND SECURITY AGREEMENT (this "Amendment") is made as of this 27th day of September, 2002, by and among **DIGIRAD IMAGING SOLUTIONS, INC.** (formerly known as **Orion Imaging Systems, Inc.),** a Delaware corporation, and **DIGIRAD IMAGING SYSTEMS, INC.**, a Delaware corporation (collectively, "Borrower"), and **HELLER HEALTHCARE FINANCE, INC.**, a Delaware corporation ("Lender").

RECITALS

A. Pursuant to that certain Loan and Security Agreement dated January 9, 2001 by and among Borrower and Lender (as amended hereby and as may be further amended from time to time, the "Loan Agreement"), the parties have established certain financing arrangements that allow Borrower to borrow funds from Lender in accordance with the terms and conditions set forth in the Loan Agreement.

B. The parties now desire to amend the Loan Agreement in accordance with the terms and conditions set forth below.

C. Capitalized terms used but not defined in this Amendment shall have the meanings that are set forth in the Loan Agreement.

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained in this Amendment, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lender and Borrower have agreed to the following amendments to the Loan Agreement.

1. Amendments to Loan Agreement.

(a) Section 2.1(a) - - Maximum Loan Amount. Section 2.1(a) of the Loan Agreement is hereby amended by deleting the second sentence in its entirety such that Section 2.1 (a) now reads as follows:

"(a) The maximum aggregate principal amount of credit extended by Lender to Borrower under this Agreement (the "Loan") that will be outstanding at any time is Five Million and No/100 Dollars ($5,000,000.00) (the "Maximum Loan Amount")."

(b) Section 9.4 - - Notices. Section 9.4 of the Loan Agreement is hereby amended by adding the following to the end of Section 9.4:

"In addition, in the event that Lender provides notice (or is required to provide notice) to Borrower of the occurrence of an Event of Default, Lender agrees to also provide notice to Silicon Valley Bank, in writing and in the manner such notice is provided to Borrower, at the following address:

Silicon Valley Bank
38 Technology Drive
Suite 150
Irvine, CA 92618
Attn: Mr. Robert Anderson
Telephone: (949) 789-1915
Fax: (949) 789-1930"

2. Fees and Costs. In consideration of Lender's agreement to enter into this Amendment, and pursuant to Section 2.4 of the Loan Agreement, Borrower hereby agrees to pay to Lender a commitment fee equal to Twelve Thousand Five Hundred and No/100 Dollars ($12,500.00). In addition, Borrower shall be responsible for the payment of all reasonable fees of Lender's in-house counsel incurred in connection with the preparation of this Amendment and any related documents. Borrower hereby authorizes Lender to deduct all of such fees set forth in this Section 2 from the proceeds of the next Revolving Credit Loan.

3. Confirmation of Representations and Warranties. Borrower hereby confirms that all of the representations and warranties set forth in Article IV of the Loan Agreement are true and correct as of the date hereof, and specifically represents and warrants to Lender that it has good and marketable title to all of its respective Collateral, free and clear of any lien or security interest in favor of any other person or entity.

4. Schedules. Borrower hereby represents and warrants that the information set forth on the Schedules attached to the Loan Agreement is true and correct as of the date of this Agreement.

5. Reference to the Effect on the Loan Agreement.

(a) Upon the effectiveness of this Amendment, each reference in the Loan Agreement to "this Agreement," "hereunder," "hereof," "herein" or words of similar import shall mean and be a reference to the Loan Agreement as amended by this Amendment.

(b) Except as specifically amended above, the Loan Agreement and all other Loan Documents shall remain in full force and effect, and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided in this Amendment, operate as a waiver of any right, power or remedy of Lender, nor constitute a waiver of any provision of the Loan Agreement, or any other documents, instruments and agreements executed or delivered in connection with the Loan Agreement.

6. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of Maryland.

7. Headings. Section headings in this Amendment are included for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

8. Counterparts. This Amendment may be executed in counterparts, and both counterparts taken together shall be deemed to constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed as of the date first written above.

LENDER:

HELLER HEALTHCARE FINANCE, INC.,
a Delaware corporation

By: */s/ Joseph Prandoni*
Name: JOSEPH PRANDONI
Title: VICE PRESIDENT

BORROWER:

DIGIRAD IMAGING SOLUTIONS, INC.
(formerly known as Orion Imaging Systems, Inc.),
a Delaware corporation

By: */s/ Joseph Prandoni*
Name: JOSEPH PRANDONI
Title: VICE PRESIDENT

DIGIRAD IMAGING SYSTEMS, INC.,
a Delaware corporation

By: */s/ John Dahldorf*

Name: John Dahldorf

Title: CFO

ACKNOWLEDGEMENT OF GUARANTOR:

Guarantor, by signature below as such, for a valuable consideration, the receipt and adequacy of which are hereby acknowledged, hereby consents to and joins in this Amendment and hereby declares to and agrees with the Lender that its Guaranty of the Obligations is and shall continue in full force and effect for the benefit of the Lender with respect to the Obligations, as amended by this Amendment, that there are no offsets, claims, counterclaims, crossclaims or defenses of the Guarantor with respect to the Guaranty nor, to the Guarantor's knowledge, with respect to the Obligations, that the Guaranty is not released, diminished or impaired in any way by this Amendment or the transactions contemplated hereby, and that the Guaranty is hereby ratified and confirmed in all respects. Guarantor hereby acknowledges that without this consent and reaffirmation, Lender would not execute this Amendment or otherwise consent to its terms.

WITNESS/ATTEST:

By: */s/ Susan Yeagley Sullivan*
Name: Susan Yeagley Sullivan
Title: Corp. Controller

DIGIRAD CORPORATION
a Delaware corporation

By: */s/ John Dahldorf* (SEAL)
Name: John Dahldorf
Title: CFO

$5,000,00.00 REVOLVING CREDIT LOAN

AMENDMENT NO. 4

TO

LOAN AND SECURITY AGREEMENT

originally dated as of January 9, 2001

by and among

DIGIRAD IMAGING SOLUTIONS, INC.

(f/k/a Orion Imaging Systems, Inc.),

DIGIRAD IMAGING SYSTEMS, INC.

and

GE HFS HOLDINGS, INC.

(f/k/a Heller Healthcare Finance, Inc.)

Amended as of March 1, 2004

AMENDMENT NO. 4 TO LOAN AND SECURITY AGREEMENT

THIS AMENDMENT NO. 4 TO LOAN AND SECURITY AGREEMENT (this 4 "Amendment") is made as of this l day of March, 2004, by and among **DIGIRAD IMAGING SOLUTIONS, INC. (f/k/a Orion Imaging Systems, Inc.)**, a Delaware corporation, and **DIGIRAD IMAGING SYSTEMS, INC.**, a Delaware corporation (collectively, "Borrower"), and **GE HFS HOLDINGS, INC.** (f/k/a **Heller Healthcare Finance, Inc.**), a Delaware corporation ("Lender").

RECITALS

A. Pursuant to that certain Loan and Security Agreement dated January 9, 2001 by and among Borrower and Lender (as amended hereby and as may be further amended from time to time, the "Loan Agreement"), the parties have established certain financing arrangements that allow Borrower to borrow funds from Lender in accordance with the terms and conditions set forth in the Loan Agreement.

B. The parties now desire to amend the Loan Agreement in accordance with the terms and conditions set forth below.

C. Capitalized terms used but not defined in this Amendment shall have the meanings that are set forth in the Loan Agreement.

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained in this Amendment, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lender and Borrower have agreed to the following amendments to the Loan Agreement.

1. Amendments to Loan Agreement.

(a) Amendment to Section 1.5. Section 1.5 setting forth the definition of

"Base Rate" is deleted in its entirety and replaced as follows:

"**Section 1.5. Base Rate**. "Base Rate" means a rate of interest equa1 to one and one-quarter percent (1.25%) above the Prime Rate of Interest; provided, however, that in no event shall the Base Rate fall below six percent (6.00%) so long as this Agreement remains in effect"

(b) Amendment to Section 9.4. Section 9.4(b) of the Loan Agreement is hereby deleted in its entirety and replaced as follows:

"(b) If to Borrower, at:

Digirad Corporation
13950 Stowe Drive
Poway, CA 92064
Phone: 858-530-1201

2. Fees and Costs. In consideration of Lender's agreement to enter into this Amendment, and pursuant to Section 2.4 of the Loan Agreement, Borrower hereby agrees to pay to Lender a commitment fee equal to Twenty Five Thousand and No/100 Dollars ($25,000.00); provided that Lender shall waive such fee in the event that Borrower renews its credit facility with Lender, before the expiration of the Term, on substantially similar terms as set forth in the Loan Agreement. In addition, Borrower shall be responsible for the payment of all reasonable fees of Lender's in-house counsel incurred in connection with the preparation of this Amendment and any related documents.

3. **Confirmation Representations and Warranties.** Borrower hereby confirms that all of the representations and warranties set forth in Article IV of the Loan Agreement are true and correct as of the date hereof, and specifically represents and warrants to Lender that it has good and marketable title to all of its respective Collateral, free and clear of any lien or security interest in favor of any other person or entity.

4. **Schedules**. Borrower hereby represents and warrants that the information set forth on the Schedules attached to the Loan Agreement is true and correct as of the date of this Agreement.

5. **Reference to the Effect on the Loan Agreement.**

(a) Upon the effectiveness of this Amendment, each reference in the Loan Agreement to "this Agreement," "hereunder," "hereof," "herein" or words of similar import shall mean and be a reference to the Loan Agreement as amended by this Amendment.

(b) Except as specifically amended above, the Loan Agreement and all other Loan Documents shall remain in full force and effect, and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided in this Amendment, operate as a waiver of any right, power or remedy of Lender, nor constitute a waiver of any provision of the Loan Agreement, or any other documents, instruments and agreements executed or delivered in connection with the Loan Agreement.

6. **Governing Law**. This Amendment shall be governed by and construed in accordance with the laws of the State of Maryland.

7. **Headings**. Section headings in this Amendment are included for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

8. **Counterparts**. This Amendment may be executed in counterparts, and both counterparts taken together shall be deemed to constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed as of the date first written above.

LENDER:

GE HFS HOLDINGS, INC.
(f/k/a Heller Healthcare Finance, Inc.)
a Delaware corporation

By: */s/ Paul Severance*
Name: Paul Severance
Title: Vice President

BORROWER:

DIGIRAD IMAGING SOLUTIONS, INC.
(f/k/a Orion Imaging Systems, Inc.),
a Delaware corporation

By: */s/ Todd P. Clyde*
Name: Todd P. Clyde
Title: CFO

DIGIRAD IMAGING SYSTEMS, INC.,
a Delaware corporation

By: /s/ Todd P. Clyde
Name: Todd P. Clyde
Title: CFO

ACKNOWLEDGEMENT OF GUARANTOR:

Guarantor, by signature below as such, for a valuable consideration, the receipt and adequacy of which are hereby acknowledged, hereby consents to and joins in this Amendment and hereby declares to and agrees with the Lender that its Guaranty of the Obligations is and shall continue in full force and effect for the benefit of the Lender with respect to the Obligations, as amended by this Amendment, that there are no offsets, claims, counterclaims,

crossclaims or defenses of the Guarantor with respect to the Guaranty nor, to the Guarantor's knowledge, with respect to the Obligations, that the Guaranty is not released, diminished or impaired in any way by this Amendment or the transactions contemplated hereby, and that the Guaranty is hereby ratified and confirmed in all respects. Guarantor hereby acknowledges that without this consent and reaffirmation, Lender would not execute this Amendment or otherwise consent to its terms.

WITNESS/ATTEST:

/s/ Todd P. Clyde

Name: Todd P. Clyde

Its: CFO

DIGIRAD CORPORATION,

a Delaware corporation

By: */s/ Vera Pardee* (SEAL)

Name: Vera Pardee

Its: General Counsel

EXHIBIT 10.24

*** CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT (INDICATED BY ASTERISKS) HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT UNDER 17 C.F.R. SECTIONS 200.80(B)(4), 200.83 AND 230.406.

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (hereinafter "AGREEMENT") is made and entered into by and between McAdams and Whitham Consulting (hereinafter "MWC") and Digirad Corporation (hereinafter "DIGIRAD") on January 6, 2003 (the "Execution Date").

RECITALS

A. The only principals of MWC are Dr. Stephen McAdams and Mr. John Whitham.

B. DIGIRAD has a need for the consulting services of MWC and MWC is willing to provide such consulting services to DIGIRAD upon the terms and conditions stated in this AGREEMENT.

NOW, THEREFORE, for and in consideration of the execution of this AGREEMENT and the mutual covenants contained in the following paragraphs, DIGIRAD and MWC agree as follows:

1. Consulting Period. The parties agree that during the period from the Execution Date through *** (the "Consulting Period"), DIGIRAD will retain MWC as a consultant, pursuant to the terms and conditions stated herein. The Consulting Period will thereafter be automatically renewed for additional, successive *** periods unless either party notifies the other party in writing at least *** prior to the end of the applicable Consulting Period of its intention to discontinue this AGREEMENT. Notwithstanding the foregoing, however, *** may terminate this AGREEMENT at any time for any reason, with or without cause, by delivering written notice of such termination to *** , with such termination to be effective upon *** receipt of such notice.

2. Services. The parties agree that the nature of the consulting services which MWC will provide to DIGIRAD hereunder shall consist of the following:

a) Provide and generate qualified sales leads for DIGIRAD's products and Digirad Imaging Solutions' ("DIS") services.

b) Reasonably accept and promptly respond to DIGIRAD product sales and DIS service inquiries from existing customers, potential customers, DIGIRAD personnel, and others at DIGIRAD's discretion (e.g., investors, potential employees, analysts, etc.).

c) Reasonably accept and promptly perform customer site visits to *** *** and *** facilities that contain DIGIRAD's gamma cameras.

*** Portions of this page have been omitted pursuant to a request for Confidential Treatment and filed separately with the commission.

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d) Actively promote DIGIRAD products and DIS services to *** *** .

e) Actively promote and encourage *** *** ..

f) Actively promote DIGIRAD's products and DIS' services to *** as agreed to by DIGIRAD and MWC *** .

g) Act as advisors on future product developments.

h) Maintain a *** *** *** ..

i) Be the first to adopt new Digirad Technology, assuming clinical acceptance, by purchasing the system and acting as a national reference site.

3. Independent Contractor Status. The parties agree that nothing herein contained shall be deemed to create an agency, joint venture, partnership or franchise relationship between parties hereto. MWC acknowledges that it is an independent contractor, is not an agent or employee of DIGIRAD and is not entitled to any DIGIRAD employment rights or benefits and is not authorized to act on behalf of DIGIRAD. MWC shall be solely responsible for any and all tax obligations of MWC and those of its employees and representatives, including but not limited to, all city, state and federal income taxes, social security withholding tax and other self employment tax incurred by MWC. DIGIRAD shall not dictate the work hours of MWC during the term of this AGREEMENT. Anything herein to the contrary notwithstanding, the parties hereby acknowledge and agree that DIGIRAD shall have no right to control the manner, means, or method by which MWC performs the services called for by this AGREEMENT. Rather, DIGIRAD shall be entitled only to direct MWC with respect to the elements of services to be performed by MWC and the results to be derived by Company, to inform MWC as to where and when such services shall be performed, and to review and assess the performance of such services by MWC for the limited purposes of assuring that such services have been performed and confirming that such results were satisfactory. DIGIRAD shall be entitled to exercise broad general power of supervision

and control over the results of work performed by MWC's personnel to ensure satisfactory performance, including the right to inspect, the right to stop work, the right to make suggestions or recommendations as to the details of the work, and the right to propose modifications to the work.

4. **Compensation.** During the Consulting Period, customer identification will take place as follows:

a) ***
***
***

*** Portions of this page have been omitted pursuant to a request for Confidential Treatment and filed separately with the commission.

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b) ***
***
***

During the Consulting Period, DIGIRAD shall compensate MWC as follows:

a) DIGIRAD will pay MWC $ *** per customer site visit to *** ***.

b) For Identified Customers, DIGIRAD will pay MWC $ *** per DIGIRAD camera system purchased by an Identified Customer after such customer has purchased a DIGIRAD system, had it installed and completed all necessary payments for the system in full. Additionally, DIGIRAD will issue to MWC warrants to purchase *** shares of DIGIRAD common stock for each unit sold to Identified Customers. The warrant value of the DIGIRAD Common Stock will be as determined by the Board of Directors of DIGIRAD at its meeting immediately following the date the aforementioned criteria have been satisfied.

c) DIGIRAD will issue to each of the principals of MWC a warrant to purchase up to an aggregate total of *** shares of DIGIRAD common stock at a per share exercise price of $ *** . Each warrant will be exercisable for shares of DIGIRAD common stock in the following amounts and under the following schedule: (1) each warrant will be exercisable for up to *** shares of . DIGIRAD Common Stock at *** for services rendered to *** ; and (2) each warrant will be exercisable for up to all *** shares of DIGIRAD Common Stock at *** for services rendered to *** . In the event that DIGIRAD is acquired by a third party whether by means of a merger, a sale of substantially all of its assets or the sale of more than 50% of its outstanding securities (each, an "Acquisition Event"), each of the warrants will be immediately exercisable in full for the purchase of all *** shares of DIGIRAD common stock upon the closing of the Acquisition Event.

d) All references to a number of shares of common stock to be issued pursuant to any warrant and the exercise price thereof shall be appropriately adjusted to reflect any stock splits, stock dividends or combinations relating to DIGIRAD's Common Stock after the Execution Date.

5. **Outside Activities**. The parties agree that during the Consulting Period, MWC and its employees and personnel shall not become employed by, or act as a consultant to, any person or entity that is directly competitive with the business activities of DIGIRAD. Persons and entities which shall be considered "directly competitive with the business activities of DIGIRAD" are any company, being a business or research entity, that works with or intents to work with gamma radiation detection devices. The parties agree that nothing in this AGREEMENT shall prohibit or otherwise limit MWC from becoming employed by, or acting as a consultant to, any person or entity that is not directly competitive with the business activities of

*** Portions of this page have been omitted pursuant to a request for Confidential Treatment and filed separately with the commission.

DIGIRAD. MWC specifically represents that it agrees that the foregoing limitation on its outside activities and those of its employees and personnel, is reasonable in scope and duration, and does not impose an unreasonable burden on the ability of its employees and personnel to earn a living.

6. **Promise to Maintain Confidentiality of DIGIRAD's Confidential Information.** MWC acknowledges that in its capacity as a consultant to DIGIRAD it shall continue to be privy to confidential information belonging to DIGIRAD. MWC hereby promises and agrees that, unless compelled by legal process, MWC, as well as its employees and personnel, will not disclose to others and will keep confidential all information it has received while working as a consultant to, DIGIRAD concerning DIGIRAD's research and development activities, products and procedures, the identities of DIGIRAD's customers, DIGIRAD's sales, DIGIRAD's prices, the terms of any of DIGIRAD's contracts with third parties, and the like. MWC agrees that a violation by it or any of its employees or personnel of the foregoing obligation to maintain the confidentiality of DIGIRAD's confidential information will constitute a material breach of this AGREEMENT and will entitle DIGIRAD to immediately terminate this AGREEMENT, with no further obligations then being owed to MWC. MWC specifically confirms that MWC, as well as its employees and personnel, will continue to comply with the terms of the Non-Disclosure Agreement executed between MWC and DIGIRAD.

7. **Effect of Termination.** Within *** days after the termination of this Agreement in its entirety for any reason, the parties shall promptly return to one another all property and other materials of the other party in their respective possessions, including all media (and copies thereof) containing confidential information of DIGIRAD and including without limitation all marketing materials, customer lists, placement records, service records and sales forecasts. If this Agreement is terminated by DIGIRAD, then within *** after DIGIRAD gives MWC notice of its intention to terminate this Agreement, DIGIRAD and MWC will review the Identified Customers as supplied and will reasonably agree to a final written list of Identified Customers. For *** after the termination date of this Agreement, DIGIRAD shall compensate MWC pursuant to the terms of this Agreement, ***
*** .

8. **Integrated Agreement.** The parties acknowledge and agree that no promises or representations were made to them which do not appear written herein and that this AGREEMENT contains the entire agreement of the parties on the subject matter thereof. The parties further acknowledge and agree that parol evidence shall not be required to interpret the intent of the parties.

9. **Voluntary Execution.** The parties hereby acknowledge that they have read and understand this AGREEMENT and that they sign this AGREEMENT voluntarily and without coercion.

*** Portions of this page have been omitted pursuant to a request for Confidential Treatment and filed separately with the commission.

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10. **Waiver. Amendment and Modification of AGREEMENT.** The parties agree that no waiver, amendment or modification of any of the terms of this AGREEMENT shall be effective unless in writing and signed by all parties affected by the waiver, amendment or modification. No waiver of any term, condition or default of any term of this AGREEMENT shall be construed as a waiver of any other term, condition or default.

11. **Representation by Counsel.** The parties represent that they understand that they have the right to be represented in negotiations for the preparation of this AGREEMENT by counsel of their own choosing, and that they have entered into this AGREEMENT voluntarily, without coercion, and based upon their own judgment, and not in reliance upon any representations or promises made by the other party, other than those contained within this AGREEMENT. The parties further agree that if any of the facts or matters upon which they now rely in making this AGREEMENT hereafter prove to be otherwise, this AGREEMENT will nonetheless remain in full force and effect.

12. **California Law.** The parties agree that this AGREEMENT and its terms shall be construed under California law.

13. **Attorney's Fees.** If any action at law or in equity is necessary to enforce or determine the terms of this AGREEMENT, the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements, in addition to any other relief to which the party may be entitled.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have executed this AGREEMENT as of the date first above written

MCADAMS AND WHITHAM CONSULTING

Dated: _____

/s/ *Dr. Stephen McAdams*
Dr. Stephen McAdams

Dated: *1/20/2003*

/s/ *John Whitham*
Mr. John Whitham

DIGIRAD CORPORATION

Dated: *1-29-03*

By: /s/ *David Sheehan*

Its: President and CEO

EXHIBIT 10.25

*** CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT (INDICATED BY ASTERISKS) HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT UNDER 17 C.F.R. SECTIONS 200.80(B)(4), 200.83 AND 230.406.

AGREEMENT FOR SERVICES

THIS **AGREEMENT FOR SERVICES** is made and entered into on the 5th day of May, 2003, but effective for all purposes as of the 1st day of April, 2002 (the "Effective Date"), by and between **DIGIRAD IMAGING SOLUTIONS, INC.**, a Delaware corporation (the "Client" or "DIS"), and **MBR AND ASSOCIATES, INC.**, a Florida corporation ("MBR").

WHEREAS, MBR is a corporation engaged in the business of providing certain management, financial, billing, collection, accounting, bookkeeping, regulatory compliance, and other related consulting financial services for healthcare clients (generally, the "Services"); and

WHEREAS, the Client is in the healthcare business and has engaged MBR in the past to provide certain selected Services to the Client, and the Client and MBR are willing to continue their business relationship on the terms and conditions set forth herein beginning as of the Effective Date.

NOW, THEREFORE, in consideration of the premises and of the promises and agreements of the parties set forth below, and for other good and valuable consideration, the parties agree as follows:

1. **SERVICES TO BE RENDERED**:

A. As part of the compensation set forth in section 2.A., MBR agrees to provide billing and collections services, up to and including the following designated Services to and for the Client:

***
***
***

B. In addition, as part of the compensation set forth in section 2.B., MBR agrees to

***
***
***
***

*** Portions of this page have been omitted pursuant to a request for Confidential Treatment and filed separately with the commission.

C. In addition, as part of the compensation set forth in section 2.B., MBR agrees to provide the Client with consultation services in the following areas: regulatory compliance (including but not limited to Medicare compliance), managed care contracting, and credentialing of providers. All such consulting services shall be requested at the sole discretion of the Client, in writing and may include items as listed below:

(1) ***
***;

(2) ***
***
***

D. During the term of this Agreement, MBR may retain Client's records in a secure off-site storage facility. Upon termination or expiration of this Agreement, Client will notify MBR of where to have its records delivered after the ninety-day collection period. MBR will not be responsible for these records after delivery to the Client. .

2. **COMPENSATION TO MBR**: The Client agrees to pay MBR as follows (all of which fees may be retained by MBR directly from collections received on behalf of the Client):

A. For Services under Section 1.A. above, (i) ***
***
***
***
***. Both the Client and MBR will diligently work to further reduce the average *** , targeting an average level of no more than *** days. The Client and MBR will review the *** progress on a quarter basis and assess areas of improvement. The Client and MBR, collectively, will establish a financial objective and *** minimum threshold, starting April 1, 2004.

B. For Services under Section 1.C. above and anything outside the other services listed in Section 1, *** , listed on Exhibit A and *** for other employees, plus reimbursement of MBR's direct expenses (including travel, room and board, telephone calls, courier charges, equipment, and outside consultants) with respect to such Services. All such services are to be pre-approved, in writing by the Client.

C. Special projects as agreed between the parties.

MBR will submit monthly or more frequent statements for its Services under this Agreement. All amounts billed to the Client under this Section 2 are due and payable by the Client to MBR within *** days from the Client's scheduled month-end for the Services performed *** *** by MBR since the prior scheduled month-end, provided that in no event shall payment be due less than *** days from the date the invoice is received. Invoices that are not paid when due will incur a late charge *** (or part thereof) of the amount due, except that interest shall not accrue on any amount which is reasonably disputed, provided that all undisputed amounts are paid. In the event any refund or recoupment occurs after MBR has been

*** Portions of this page have been omitted pursuant to a request for Confidential Treatment and filed separately with the commission.

paid for such Services, Client shall be entitled to a refund of the fees paid for such Services, which refund shall be credited to next bill or recoupment, not to exceed *** , otherwise, refund is to be repaid to Client within thirty days of such refund or recoupment.

In addition to the foregoing, MBR shall be reimbursed ***
***
***
***.

3. **TERM**: The initial term of this Agreement shall be for *** years from the Effective Date, and thereafter the term shall automatically renew for consecutive *** terms unless *** , upon *** written notice prior to the end of the current *** renewal term, informs *** of *** intention to terminate the Agreement at the end of the current term. *** shall have the right to terminate this agreement at anytime, without cause, upon *** days written notice, but no such notice shall be given prior to *** . *** shall have the right to *** *** until the actual date of termination, and MBR agrees to remain available to render such Services for the compensation set forth in Section 2 for up to *** after after expiration of the *** notice period and to cooperate on a reasonable basis to facilitate a smooth transition of such Services to the Client or to another person designated by the Client. MBR shall be entitled to its fees on all Services performed by MBR, including with respect to *** *** .

After the termination of this Agreement and the payment of all amounts due MBR, *** *** and related nonproprietary software, including, without limitation, *** shall be sent to Client with a back-up tape and printed report. A back-up tape of all *** relating to this Agreement shall be prepared and stored in a safe place by MBR on a weekly or more frequent basis. Client, at its expense, reserves the right to review and audit MBR's *** *** . Such review and audit shall be at a time mutually agreed upon by both parties, which agreement shall not be unreasonably withheld.

4. **EXPENSES AND LICENSES**: Each party is responsible for obtaining and maintaining, at its expense, all licenses, permits, or other items necessary to conduct its business, including all required insurances and bonding.

5. **NON-SOLICITATION; NO HIRING**: Both parties agree that during the term of this Agreement, and for *** thereafter, regardless of the reason for the termination, neither party (or any affiliate of a party) will hire, or attempt to hire, or solicit for employment, any employee or independent contractor of the other party used in performing the Services.

6. **CONFIDENTIALITY**: Both parties mutually recognize and acknowledge that the clients, services, and methods of operation are valuable, special, and unique assets of such business. The parties further recognize and acknowledge that all business information,

*** Portions of this page have been omitted pursuant to a request for Confidential Treatment and filed separately with the commission.

proprietary files, records, analyses, compilations, studies or opinions, financial statements, customer lists, lists of business acquaintances, processes, techniques, services, intellectual property, programming, techniques of application, concepts, purchasing, accounting, marketing, selling, recording of any activity disclosed to each other in connection with MBR's performance under this Agreement are confidential information. Both parties shall keep in strict secrecy and confidence all information that each part assimilated or obtained or to which either party had access during the term of this Agreement for any reason or purpose without the prior written consent of the other party. These terms and conditions shall survive the term of this Agreement.

Each party shall keep confidential all information relating to billing and financial information with respect to the Client and its affiliates, except to the extent reasonably needed to facilitate the services to be rendered under this Agreement or as required by law.

Each party shall comply with all applicable federal and state statutes, regulations, and rules relating to privacy and confidentiality of patient medical information.

7. **INSURANCE**: At all times during the term of this Agreement, MBR shall *** obtain, keep in force and maintain (i) workers' compensation and (ii) comprehensive or commercial form general liability insurance and errors and omission (contractual liability included) in a form and with an insurance carrier satisfactory to Client, with coverage limits (in the case of the general liability insurance) of at least *** *** .. If the above insurance is written on a claims-made form, it shall continue for no less than *** following termination of this Agreement. The coverage and limits described above shall in no way limit any liability of MBR. To the

extent available without significant surcharge, MBR will cause Client to be named as an additional insured on MBR's general liability insurance policy. As evidence of MBR's coverage, MBR shall furnish to Client certificates of insurance under these policies prior to the effective date and annually thereafter, which shall include a provision for at least a *** prior written notice of cancellation or reduction directed to the attention of both Client and the Compliance Officer. MBR shall maintain and provide Client with evidence of a minimum of *** fidelity bonding for itself and its employees and Client Personnel involved in the handling of accounting for the monies of Client. The Client shall furnish MBR proof of general liability insurance, errors and omissions insurance, directors insurance and fidelity bonding.

8. **PERSONNEL**: All personnel providing Services hereunder shall be trained and qualified to perform their applicable duties, and none of them shall be excluded or suspended from Medicare, Medicaid or any other governmental payment program. MBR shall notify Client in the event of the exclusion or suspension of any such personnel whereupon, Client shall have the options of demanding that the affected person(s) be removed immediately, whereupon if MBR does not do so within *** , Client may terminate this Agreement upon written notice.

9. **BREACH**: If either party commits a material breach of this Agreement, then the other party may give written notice specifying the nature of the breach. If the party receiving sh notice does not substantially remedy such breach within *** after its receipt of such notice, then the party who has sent such notice shall have the right immediately to

*** Portions of this page have been omitted pursuant to a request for Confidential Treatment and filed separately with the commission.

terminate this Agreement and/or to seek appropriate remedies as provided in this Agreement or otherwise.

10. **CLIENT'S OBLIGATIONS**:

A. The Client agrees to make available to MBR all records necessary for performing the Services hereunder. The Client will communicate with MBR, in a timely manner, as reasonably necessary for MBR to perform the Services hereunder, provided that all such communications between the parties will be in writing.

B. The Client covenants that the ***
***
***
***

C. The Client agrees to maintain a checking account reasonably acceptable to MBR to be exclusively for business purposes and into which *** *** .

D. The Client agrees that MBR is its exclusive agent for *** *** and that it will provide to MBR *** *** . Client agrees to provide the complete information necessary to ***
***
***
***

E. The Client authorizes MBR to provide training to the employees of Client, identified by Client, who are responsible for *** . Such training will be *** *** .. If the Client hires or replaces staff who require training, the additional training will be billed at the rate of *** .

F. The Client agrees that it will not market, broker, sell, or re-sell MBR's services to any other person (including, without limitation, customers or clients of the Client) without MBR's prior written consent.

11. **CLIENT'S REPRESENTATIONS**: Client represents, warrants, and covenants that:

A. Client is duly organized and exists in good standing under the laws of the State of Delaware and is qualified to do business in each state in which Client is required to be so qualified.

*** Portions of this page have been omitted pursuant to a request for Confidential Treatment and filed separately with the commission.

B. Neither the execution nor the consummation of the transactions contemplated by this Agreement will conflict with or result in a breach of performance required by the provisions for any other agreement or contract to which the Client is a party.

C. Client has adopted a compliance plan or plans to insure that Client and Client's employees abide by all applicable federal and state statutes, regulations, and rules relating to (i) its providing or arranging for healthcare services, (ii) its marketing to its customers and prospective customers, (iii) its billing and collecting for all such services, and (iv) maintaining the privacy and confidentiality of patient medical information in its possession.

D. Throughout the term of this Agreement, Client and Client's employees shall comply with its compliance plan or plans and with all applicable federal, state, or local laws governing its business and professional practice and employees.

E. Throughout the term of this Agreement, all of Client's personnel providing information or working with MBR in connection with the Services hereunder, shall be trained and qualified to perform their applicable duties. None of Client's personnel shall be excluded or suspended from Medicare, Medicaid or any other governmental payment programs.

F. None of Client's employees, contractors, clients, or customers is, has been, or will be, during the term of this Agreement, excluded or suspended from Medicare, Medicaid, or any other governmental payment program. The Client will include in its contracts with all physicians *** *** physician representation language that the physicians and any of their participating personnel in the services under contract, are not excluded or suspended from Medicare, Medicaid or any other governmental payment programs.

12. **INDEPENDENT CONTRACTOR STATUS**: It is understood and agreed that the services of MBR have been and will be rendered as an independent contractor and not as an employee, agent, or representative of Client. In this regard, neither MBR nor any of its employees or agents shall be deemed for purposes of this Agreement to be employed by Client for purposes of any tax or contribution levied by the Federal Social Security Act or any corresponding state law with respect to employment or compensation for employment, and MBR will file all forms and pay all taxes and other amounts required of an independent contractor.

MBR shall have complete control over its method of providing services, subject to the requirements of this Agreement and applicable law. Client will not exercise direct or implied authority over MBR in its work nor shall it have supervisory power over MBR or any of its employees or agents, other than to assure MBR's adherence to the terms of this Agreement. Neither party shall have any responsibility for, or liability as a result of, any action, inaction, error or omission by the other.

13. **REVIEWS AND AUDITS**: Client shall, upon reasonable notice and conditions, be allowed to review any and all of the documentation, procedures and information concerning *** and to appoint a third party consultant to review such *** on the premises of MBR, all at Client's sole expense. MBR agrees to cooperate with any review. MBR may impose reasonable standards and restrictions on any such audit and review to insure the

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privacy or patient medical information of patients who are not Client's patients. MBR will review any reports upon such *** , suggestions for improvement or otherwise and will exercise good faith in maintaining an acceptable level of efficiency and accuracy in its *** . Any and all information obtained under review shall be kept confidential except as required to comply with Client's legal obligations.

14. **INDEMNIFICATION**: Each party (the "Indemnifying Party") hereby agrees to indemnify and hold the other party, including its directors, officers, shareholders, employees, and agents (collectively, the "Indemnified Party") harmless from and against any losses, claims, damages, or expenses, and all reasonable costs of prosecution or defense regarding its rights hereunder, whether in judicial proceedings, including appellate proceedings, or out of court, including, without limiting the generality of the foregoing, attorneys' fees and all costs and expenses of litigation (collectively, a "Loss"), arising from or growing out of a material violation of the terms of this Agreement or negligent or willful misconduct by the Indemnifying Party.

15. **MEDIATION AND ARBITRATION**: It is the intention of all parties that no dispute under this Agreement or with respect to relationship between parties will be the subject of any court action or litigation in the local, state, or federal judicial system. The parties recognize that the problem resolution processes of mediation and arbitration are appropriate and preferable to resolve issues between the parties. If any party hereto wishes to resolve an issue under or relating to this Agreement, then such party must give notice of a request for mediation to the other parties, which notice shall set forth the names of not less than three (3) mediators from the panel of JAMS/Endispute or the American Arbitration Association or other mutually agreed upon alternative dispute resolution service in Hillsborough County if mediation is commenced by Digirad or in San Diego County if mediation is commenced by MBR. The party receiving such notice shall agree upon one or more such mediators with ten (10) days of receipt of such notice and a mediation will be scheduled as soon as feasible between the parties and their respective advisors, and the parties and their advisors will cooperate fully with respect to sharing of information and attendance at meetings in order to seek resolution. The parties will share mediation expenses with the party requesting the mediation, paying one-half of such expense of the mediator fees and the other party paying the other one-half of such expenses. If resolution of the matters between the parties cannot be resolved in mediation within twenty (20) days of the selection of a mediator by the party receiving such notice, then the matter shall be presented to formal arbitration pursuant to the rules utilized by the alternative dispute resolution service selected by an arbitrator from such service's panel agreed upon by the parties or, if the parties are unable to agree upon an arbitrator within ten (10) days of the completion of mediation, by a panel of three (3) arbitrators from such panel selected by such service's administrator. Arbitration shall take place in the venue in which the mediation shall have occurred as soon as possible and the decision of the arbitrator panel shall be binding upon the parties for all purposes. The party which does not prevail in such proceeding or in any judicial proceeding shall pay all reasonable fees and costs, including attorneys' and expert witness fees, incurred by the prevailing party relating to such proceeding, except that the arbitrator shall have discretion to reduce or eliminate such award of costs and fees if such award would be inequitable or unreasonable under the circumstances. It is the intention of the parties that this Agreement shall be construed and interpreted in a fair and equitable manner based upon the facts and

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circumstances of the parties taking into account the present intention of the parties to have a fair and equitable agreement under the terms and conditions set forth in this Agreement.

16. **ENFORCEMENT**: Each covenant shall be construed as a covenant independent of any other covenant or provision of this Agreement or any other Agreement which MBR and Client may have, and the existence of any claim or cause of action of one party against the other, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement of such covenants.

17. **TERMINATION**: During the term of this Agreement, MBR may retain Client's records in an off-site storage facility. Upon termination or expiration of this Agreement, Client will notify MBR of where to have its records delivered after the *** . MBR will not be responsible for these records after delivery to the Client.

18. **ADDITIONAL COVENANTS OF MBR**: MBR covenants that it has and will maintain its expertise, procedures and employee training with respect to *** *** . MBR agrees to provide monthly reporting of *** , and such other matters as are requested by the Client on a reasonable basis. MBR will maintain such insurances with reputable insurance carriers in such amounts and upon terms that are deemed reasonable and appropriate.

19. **COMPLIANCE WITH THE HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT OF 1996**. The parties acknowledge that Client is subject to the Administrative Simplification requirements of the Health Insurance Portability and Accountability Act of 1996 and regulations promulgated thereunder ("HIPAA"), including but not limited to, the Standards for Privacy of Individually Identifiable Health Information, 45 CFR Parts 160 and 164; and that HIPAA mandates that Client require MBR to provide for the protection of the privacy and security of Health Information. Accordingly, MBR shall provide such protection as required by this Agreement.

A. Definitions. The following terms shall be defined as follows:

(1) "Disclose" and "Disclosure" mean, with respect to Health Information, the release, transfer, provision of access to, or divulging in any other manner of Health Information outside MBR's internal operations or to other than its employees.

(2) "Health Information" means information that (a) relates to the past, present or future physical or mental health or condition of an individual; the provision of health care to an individual; (b) identifies the individual (or for which there is a reasonable basis for believing that the information can be used to identify the individual); and (c) is received by MBR from or on behalf of Client or is created by MBR, or is made accessible to MBR by Client.

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(3) "Privacy Regulations" means the Standards for Privacy of Covered Individually Identifiable Health Information, 45 CFR Parts 160 and 164, promulgated under HIPAA.

(4) "Services" means the services provided by MBR pursuant to this Agreement.

(5) "Use" or "Uses" means, with respect to Health Information, the sharing, employment, application, utilization, examination or analysis of such Health Information within MBR's internal operations.

B. Permitted Uses and Disclosures of Health Information. MBR is authorized to do the following:

(1) Use and Disclose Health Information as necessary to perform Services for, or on behalf of Client;

(2) Use Health Information to create aggregated or de-identified information (in accordance with the requirements of the Privacy Regulations);

(3) Use or Disclose Health Information (including aggregated or de-identified information) as otherwise directed by Client provided that Client shall not request MBR to Use or Disclose Health Information in a manner that would not be permissible if done by Client;

(4) Use and Disclose Health Information as required by law.

C. Other Uses of Health Information. MBR may use Health Information for the proper management and administration of MBR or to carry out its legal responsibilities. MBR may Disclose Health Information for the proper management and administration of MBR, provided that with respect to any such Disclosure either (1) the Disclosure is required by law (within the meaning of the Privacy Regulations) or (2) MBR obtains reasonable assurance from the person to whom the information is to be Disclosed that such person will hold the information in confidence and will not Use or further Disclose such information except as required by law or for the purpose(s) for which it was Disclosed by MBR to such person, and that such person will notify MBR of any instances of which it is aware in which the confidentiality of the information has been breached.

D. Adequate Safeguards for Health Information. MBR warrants that it shall implement and maintain appropriate safeguards to prevent the Use or Disclosure of Health Information in any manner other than as permitted herein or by law.

E. Mitigation. MBR agrees to mitigate, to the extent practicable, any harmful effect that is known to MBR of a Use or Disclosure of Health Information by MBR in violation of the requirements of this Agreement.

F. Reporting Non-Permitted Use or Disclosure. MBR shall not Use or Disclose Health Information except as permitted by this Agreement or as required by law. MBR shall report to Client a Use or Disclosure that is made by MBR that is not permitted by this Agreement or which MBR becomes aware.

G. Availability of Internal Practices, Books, and Records. MBR agrees to make its internal practices, books and records relating to the Use and Disclosure of Health Information available to the Secretary of the Secretary for purposes of determining Client's compliance with the Privacy Regulations.

H. Access to and Amendment of Health Information. MBR shall, to the extent Client determines that any Health Information constitutes a "designated records set" of Client under the Privacy Regulations, (a) make the Health Information specified by Client available to Client or to the individual(s) identified by Client as being entitled to access and copy that Health Information, and (b) make any amendments to Health Information that are requested by Client.

I. Accounting of Disclosures. Upon Client's request, MBR shall provide to Client an accounting of each Disclosure of Health Information made by MBR as required by the Privacy Regulations. For each Disclosure that requires an accounting under this Section 19, MBR shall securely maintain the information for six (6) years from the date of the Disclosure.

J. Use of Subcontractors and Agents. MBR shall require each of its agents and subcontractors that receive Health Information from MBR to comply with this Section 19 of this Agreement with respect to such Health Information.

K. Privacy Notice. Client shall notify MBR of any limitations(s) in Client's notice of privacy practices to the extent such limitation(s) may affect MBR's Use or Disclosure of Health Information.

L. Changes or Restrictions. Client shall notify MBR of any changes in permission by an individual to use or disclose Health Information to the extent such change may affect MBR's Use or Disclosure of Health Information. Client shall notify MBR of any restriction to which Client agrees that may affect MBR's Use or Disclosure of Health Information.

M. Disposition of Health Information Upon Termination or Expiration. Upon termination or expiration of this Agreement, MBR shall either return or destroy all Health Information in the possession or control of MBR and its agents and subcontractors. In such event, MBR shall retain no copies of such Health Information. However, if MBR determines that neither return nor destruction of Health Information is feasible, MBR shall notify Client of the conditions that make return or such destruction infeasible, and may retain Health Information provided that MBR (1) continues to comply with the provisions related to the protection of Health Information for as long as it retains Health Information, and (2) further limits the Uses and Disclosures of Health Information to those purposes that make the return or destruction of Health Information infeasible.

N. Amendments to Comply With Law. The parties acknowledge that state and federal laws relating to electronic data security and privacy are rapidly evolving and that amendment of this Agreement may be required to provide for procedures to ensure compliance with such developments. The parties specifically agree to take such actions as is necessary to implement the standards and requirements of HIPAA and other applicable laws relating to the security or confidentiality of Health Information.

20. **MISCELLANEOUS**:

A. This Agreement shall constitute the entire agreement of the parties and takes the p lace o f t he prior written agreement between the p arties dated January 3 0, 2 001 (the " Prior Agreement") as of the Effective Date. It may not be changed orally, but only by agreement in writing signed by both parties.

B. Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and if sent by (i) certified or registered mail, return receipt requested, (ii) hand delivery or overnight courier with proof of delivery, or (iii) facsimile transmission with confirmation of receipt, to the parties as follows:

If to MBR: 4519 George Road, Suite 100
Tampa, Florida 33634
Facsimile No.: (813) 496-8546
ATTENTION: Becky Cacciatore, President

If to Client: 9350 Trade Place
San Diego, California 92126-6334
Facsimile No.: (858) 549-7714
ATTENTION: PRESIDENT OR CHIEF FINANCIAL OFFICER

C. The rights and obligations of the parties under this Agreement shall inure to the benefit of and shall be binding upon their respective heirs, executors, administrators, sublessors and assigns. No party may assign any of its rights, obligations or interest in this Agreement without the prior written consent of all parties to this Agreement.

D. This Agreement shall be governed by the laws of the State of Florida.

E. This Agreement shall be deemed to have been "executed" when the last party to sign this Agreement has affixed his, her or its signature at the end of this Agreement.

F. All parties to this Agreement specifically agree to act in good faith in interpreting this Agreement and in carrying out their respective duties and obligations hereunder.

G. This Agreement may be executed in multiple counterparts, each of which shall be considered an original, and all of which shall constitute but a single agreement notwithstanding that each such counterpart is executed on a different date.

H. Because each party has participated fully in the drafting and preparation of this Agreement, the Agreement shall not be construed more strongly against any party.

I. Each party to this Agreement hereby acknowledges and confirms that he, she or it has had an opportunity to retain independent legal counsel to independently advise that part of the legal consequences of the Agreement to the party. Each party to this Agreement further acknowledges and confirms that each such party received the strong recommendation by all other parties to the Agreement that each party should retain separate and independent legal counsel to advise each party of the legal consequences of the Agreement to that party.

J. All prior negotiations and/or oral agreements between the parties and/or two or more of the parties hereby are merged and extinguished into this Agreement.

K. Unless otherwise expressly provided in this Agreement, all rights, obligations and other terms and conditions specifically stated in this Agreement shall survive the execution of this Agreement.

L. If any one or more of the provisions contained in this Agreement for any reason are held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first set forth above but effective for all purposes as of April 1, 2002.

MBR AND ASSOCIATES, INC.		**DIGIRAD IMAGING SOLUTIONS, INC.**	
By:	*/s/ Becky M. Cacciatore*	By:	*/s/ Todd P. Clyde*
Name:	Becky M. Cacciatore	Name:	Todd P. Clyde
Title:	President	Title:	CFO

EXHIBIT 10.26

THE SECURITIES REPRESENTED HEREBY HAVE BEEN ACQUIRED BY THE HOLDER HEREOF FOR ITS OWN ACCOUNT FOR INVESTMENT WITH NO INTENTION OF MAKING OR CAUSING TO BE MADE A PUBLIC DISTRIBUTION OF ALL OR ANY PORTION THEREOF. SUCH SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAWS AND MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED, EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT FILED UNDER SUCH ACT OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT.

PS-_____

Warrant to Purchase
Shares of Preferred Stock
(Subject to Adjustment)

DIGIRAD CORPORATION
PREFERRED STOCK PURCHASE WARRANT

VOID AFTER SEPTEMBER 29, 2005

Digirad Corporation, a Delaware corporation (the "Company"), hereby certifies that, for value received, _____ (including any successors and assigns, "Holder"), is entitled, and subject to the terms set forth below, to purchase from the Company at any time (A) after the earlier to occur of (i) the completion of a Qualified Equity Financing (as defined in the Notes), (ii) ten (10) days prior to the completion of an Acquisition (as defined in the Notes) or (iii) July 1, 2001, and (B) before the earlier to occur of (i) 5:00 PM Pacific time, on September 29, 2005 (the "Expiration Date"), (ii) the initial underwritten public offering of the Company's Common Stock or (iii) the completion of an Acquisition, shares of Preferred Stock of the Company, with the number of shares and the exercise price of the Warrant to be determined as follows:

(a) If the Company completes a Qualified Equity Financing or Acquisition on or before January 1, 2001, then (i) the exercise price of the Warrant will be the New Equity Per Share Price or Acquisition Per Share Price, as the case may be, and (ii) this Warrant will be exercisable into that aggregate number of New Equity Shares or Acquisition Shares, as the case may be, equal to (A) ten percent (10%) of the Issue Price of the Note issued to the Holder divided by (B) the New Equity Per Share Price or the Acquisition Per Share Price, as the case may be.

(b) If the Company completes a Qualified Equity Financing or Acquisition between January 2, 2001 and on or before February 1, 2001, then (i) the exercise price of the Warrant will be the New Equity Per Share Price or Acquisition Per Share Price, as the case may be, and (ii) this Warrant will be exercisable into that aggregate number of New Equity Shares or Acquisition Shares, as the case may be, equal to (A) twenty percent (20%) of the Issue Price of the Note issued to the Holder divided by (B) the New Equity Per Share Price or the Acquisition Per Share Price, as the case may be.

(c) If the Company completes a Qualified Equity Financing or Acquisition between February 2, 2001 and on or before March 1, 2001, then (i) the exercise price of the Warrant will be the New Equity Per Share Price or Acquisition Per Share Price, as the case may be, and (ii) this Warrant will be exercisable into that aggregate number of New Equity Shares or Acquisition Shares, as the case may be, equal to (A) thirty percent (30%) of the Issue Price of the Note issued to the Holder divided by (B) the New Equity Per Share Price or the Acquisition Per Share Price, as the case may be.

(d) If the Company completes a Qualified Equity Financing or Acquisition between March 2, 2001 and on or before June 30, 2001, then (i) the exercise price of the Warrant will be the New Equity Per Share Price or Acquisition Per Share Price, as the case may be, and (ii) this Warrant will be exercisable into that aggregate number of New Equity Shares or Acquisition Shares, as the case may be, equal to (A) forty percent (40%) of the Issue Price of the Note issued to the Holder divided by (B) the New Equity Per Share Price or the Acquisition Per Share Price, as the case may be.

(e) In the event the Company has not completed a Qualified Equity Financing or Acquisition as of July 1, 2001, then (i) the exercise price of the

Warrant will be $3.036 per share, and (ii) this Warrant will be exercisable into that aggregate number of the Company's Series E Preferred Stock equal to (A) forty percent (40%) of the Issue Price of the Note issued to the Holder divided by (B) $3.036 per share.

Holder acknowledges that each of the warrant thresholds heretofore described in sections (a) through (e) are not cumulative and that upon each increase in the amount of warrants to be issue to Holder, Holder is receiving the maximum aggregate amount of warrants to which it is entitled. (For example, if the Company completes a Qualified Equity Financing as of February 4, 2001, Holder is entitled to a MAXIMUM aggregate of number of New Equity Shares equal to thirty percent (30%) of the Issue Price of the Note issued to the Holder divided by the Per Share Price.)

As used herein the following terms, unless the context otherwise requires, have the following respective meanings:

(a) The term "Company" includes any corporation which shall succeed to or assume the obligations of the Company hereunder.

(b) The term "Preferred Stock" shall mean the Preferred Stock of the Company, and any other securities or property of the Company or of any other person (corporate or otherwise) which the holder of this Warrant at any time shall be entitled to receive on the exercise hereof, in lieu of or in addition to Preferred Stock, or which at any time shall be issuable in exchange for or in replacement of Preferred Stock.

(c) The term "Purchase Agreement" shall mean the Convertible Promissory Note and Warrant Purchase Agreement dated as of the date hereof by and among the Company, the Holder and the purchasers of the other Warrants.

(d) The term "Warrant" shall mean one of a series of warrants issued pursuant to the Purchase Agreement (which warrants together are designated, the "Warrants").

1. INITIAL EXERCISE DATE; EXPIRATION. This Warrant may be exercised at any time within the time periods described in the preamble and Section 5.3 (the "Exercise Period").

2. EXERCISE OF WARRANT; PARTIAL EXERCISE. This Warrant may be exercised in full by the Holder by surrender of this Warrant, together with the Holder's duly executed form of subscription attached hereto as SCHEDULE 1, to the Company at its principal office, accompanied by payment, in cash or by certified or official bank check payable to the order of the Company, of the aggregate exercise price (as determined above) of the shares of Preferred Stock to be purchased hereunder. The exercise of this Warrant pursuant to this Section 2 shall be deemed to have been effected immediately prior to the close of business on the business day on which this Warrant is surrendered to the Company as provided in this Section 2, and at such time the person in whose name any certificate for shares of Preferred Stock shall be issuable upon such exercise shall be deemed to be the record holder of such Preferred Stock for all purposes. As soon as practicable after the exercise of this Warrant, the Company at its expense will cause to be issued in the name of and delivered to the Holder, or as the Holder may direct, a certificate or certificates for the number of fully paid and nonassessable full shares of Preferred Stock to which the Holder shall be entitled on such exercise, together with cash, in lieu of any fraction of a share, equal to such fraction of the current market value of one full share of Preferred Stock as determined in good faith by the Board of Directors, and, if applicable, a new warrant evidencing the balance of the shares remaining subject to the Warrant.

3. NET ISSUANCE.

3.1 RIGHT TO CONVERT. In addition to and without limiting the rights of the Holder under the terms of this Warrant, the Holder shall have the right to convert this Warrant (the "Conversion Right") into shares of Preferred Stock as provided in this Section 3 at any time or from time to time during the Exercise Period. Upon exercise of the Conversion Right with respect to shares subject to the Warrant (the "Converted Warrant Shares"), the Company shall deliver to the Holder (without payment by the Holder of any exercise price or any cash or other consideration) that number of shares of fully paid and nonassessable Preferred Stock computed using the following formula:

$$X = \frac{Y (A - B)}{A}$$

Where X = the number of shares of Preferred Stock to be delivered to the holder

Y = the number of Converted Warrant Shares

A = the fair market value of one share of the Company's Preferred Stock on the Conversion Date (as defined below)

B = the per share exercise price of the Warrant (as adjusted to the Conversion Date)

No fractional shares shall be issuable upon exercise of the Conversion Right, and if the number of shares to be issued determined in accordance with the foregoing formula is other than a whole number, the Company shall pay to the Holder an amount in cash equal to the fair market value of

the resulting fractional share on the Conversion Date (as defined below). Shares issued pursuant to the Conversion Right shall be treated as if they were issued upon the exercise of the Warrant.

3.2 METHOD OF EXERCISE. The Conversion Right may be exercised by the Holder by the surrender of the Warrant at the principal office of the Company together with a written statement specifying that the Holder thereby intends to exercise the Conversion Right and indicating the total number of shares under the Warrant that the Holder is exercising through the Conversion Right. Such conversion shall be effective upon receipt by the Company of the Warrant together with the aforesaid written statement, or on such later date as is specified therein (the "Conversion Date"). Certificates for the shares issuable upon exercise of the Conversion Right shall be delivered to the Holder promptly following the Conversion Date.

3.3 DETERMINATION OF FAIR MARKET VALUE. For purposes of this Section 3, fair market value of a share of Preferred Stock on the Conversion Date shall mean the fair market value as determined by the Board of Directors of the Company in good faith.

4. LIMIT ON RIGHTS OF THE HOLDER UPON EXERCISE. The Holder acknowledges and agrees that upon the exercise of this Warrant in full or in part, the following provisions shall apply to the rights of the Holder as a holder of Preferred Stock:

4.1 MARKET STAND-OFF AGREEMENT. During the period of duration specified by the Company and an underwriter of Common Stock or other securities of the Company, following the effective date of a registration statement of the Company filed under the Securities Act of 1933, as amended (the "Act), the Holder or any future transferee will not, to the extent requested by the Company and such underwriter, directly or indirectly sell, offer to sell, contract to sell (including, without limitation, any short sale), grant any option to purchase or otherwise transfer or dispose of (other than to transferees or donees who agree to be similarly bound) any securities of the Company held by it at any time during such period except Common Stock included in such registration; PROVIDED, HOWEVER, that such agreement shall not exceed one hundred eighty (180) days.

In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the securities of the Holder or any future transferee (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period.

5. ADJUSTMENTS TO CONVERSION PRICE. The number and kind of shares of Preferred Stock (or any shares of stock or other securities which may be) issuable upon the exercise of this Warrant and the exercise price hereunder shall be subject to adjustment from time to time upon the happening of certain events, as follows:

5.1 DIVIDENDS, DISTRIBUTIONS, STOCK SPLITS OR COMBINATIONS. If the Company shall at any time or from time to time after the date hereof make or issue, or fix a record date for the determination of holders of Preferred Stock entitled to receive, a dividend or other distribution payable in additional shares of Common Stock or Preferred Stock (as the case may be), then and in each such event the exercise price hereunder then in effect shall be decreased as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date, by multiplying the exercise price hereunder then in effect

by a fraction: (a) the numerator of which shall be the total number of shares of Common Stock (assuming the conversion of all outstanding securities of the Company that are convertible into Common Stock and the exercise of all options to purchase Common Stock or securities that are convertible into Common Stock) issued and outstanding immediately prior to the time of issuance or the close of business on such record date; and (b) the denominator of which shall be the total number of shares of Common Stock (assuming the conversion of all outstanding securities of the Company that are convertible into Common Stock and the exercise of all options to purchase Common Stock or securities that are convertible into Common Stock) issued and outstanding immediately after the time of issuance or the close of business on such record date. If the Company shall at any time subdivide the outstanding shares of Preferred Stock (or any securities into which such Preferred Stock is convertible), or if the Company shall at any time combine the outstanding shares of Preferred Stock (or any securities into which such Preferred Stock is convertible), then the exercise price hereunder immediately shall be decreased proportionally (in the case of a subdivision) or increased proportionally (in the case of a combination). Any such adjustment shall become effective at the close of business on the date the subdivision or combination becomes effective.

5.2 RECLASSIFICATION OR REORGANIZATION. If the Preferred Stock (or any shares of stock or other securities which may be) issuable upon the exercise of this Warrant shall be changed into the same or different number of shares of any class or classes of stock, whether by capital reorganization, reclassification or otherwise (other than a subdivision or combination of shares or stock dividend provided for in Section 5.1 above, or a reorganization, merger, consolidation or sale of assets provided for in Section 5.3 below), then and in each such event the Holder shall be entitled to receive upon the exercise of this Warrant the kind and amount of shares of stock and other securities and property receivable upon such reorganization, reclassification or other change, to which a holder of the number of shares of Preferred Stock (or any shares of stock or other securities which may be) issuable upon the exercise of this Warrant would have received if this Warrant had been exercised immediately prior to such reorganization, reclassification or other change, all subject to further adjustment as provided herein.

5.3 MERGER, CONSOLIDATION OR SALE OF ASSETS. Subject to the preamble, in the event of, at any time prior to the Expiration Date, an initial public offering of securities of the Company registered under the Act, or the consolidation or merger of the Company with or into another corporation (other than a merger solely to effect a reincorporation of the Company into another state), or the sale or other disposition of all or substantially all the properties and assets of the Company in its entirety to any other person, the Company shall provide to the Holder ten (10) days advance written notice of such public offering, consolidation, merger or sale or other disposition of the Company's assets, and this Warrant shall terminate unless exercised prior to the date such public offering is declared effective by the Securities and Exchange Commission or the occurrence of such consolidation, merger or sale or other disposition of the Company's assets. If at any time or from time to time there shall be a capital reorganization of the Preferred Stock (other than a subdivision, combination, reclassification or exchange of shares provided for elsewhere in this Section 5) of the Company, then as a part of such reorganization, provision shall be made so that the Holder shall thereafter be entitled to receive upon the exercise of this Warrant, the number of shares of stock or other securities or property of the Company, resulting from such reorganization, to which a holder of the number of shares of Preferred Stock (or any

shares of stock or other securities which may be) issuable upon the exercise of this Warrant would have received if this Warrant had been exercised immediately prior to such reorganization.

5.4 NOTICE OF ADJUSTMENTS AND RECORD DATES. The Company shall promptly notify the Holder in writing of each adjustment or readjustment of the exercise price hereunder and the number of shares of Preferred Stock (or any shares of stock or other securities which may be) issuable upon the exercise of this Warrant. Such notice shall state the adjustment or readjustment and show in reasonable detail the facts on which that adjustment or readjustment is based.

6. REPLACEMENT OF WARRANTS. On receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of any such loss, theft or destruction of this Warrant, on delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company or, in the case of any such mutilation, on surrender and cancellation of such Warrant, the Company at its expense will execute and deliver to the Holder, in lieu thereof, a new Warrant of like tenor.

7. NO RIGHTS OR LIABILITY AS A STOCKHOLDER. This Warrant does not entitle the Holder hereof to any voting rights or other rights as a stockholder of the Company. No provisions hereof, in the absence of affirmative action by the Holder to purchase Preferred Stock, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder as a stockholder of the Company.

8. MISCELLANEOUS.

8.1 TRANSFER OF WARRANT. This Warrant shall not be transferable or assignable in any manner without the express written consent of the Company, and any such attempted disposition of this Warrant or any portion hereof shall be of no force or effect unless such disposition is in compliance with the Agreement.

8.2 TITLES AND SUBTITLES. The titles and subtitles used in this Warrant are for convenience only and are not to be considered in construing or interpreting this Warrant.

8.3 NOTICES. Any notice required or permitted under this Warrant shall be given in writing and in accordance with Section 6.4 of the Purchase Agreement (for purposes of which, the term "Investor" shall mean Holder hereunder), except as otherwise expressly provided in this Warrant.

8.4 ATTORNEYS' FEES. If any action at law or in equity is necessary to enforce or interpret the terms of this Warrant, the prevailing party shall be entitled to reasonable attorneys' fees, costs and disbursements in addition to any other relief to which such party may be entitled.

8.5 AMENDMENTS AND WAIVERS. Any term of this Warrant may be amended and the observance of any term of this Warrant may be waived (either generally or in a particular instance and either retroactively or prospectively), with the written consent of the Company and the holders of Warrants representing together the right to purchase at least fifty-one percent

(51%) of all of the Preferred Stock of the Company subject to purchase pursuant to all of the Warrants and in accordance with the Purchase Agreement. Any amendment or waiver effected in accordance with this Section 8.5 shall be binding upon the Holder of this Warrant (and of any securities into which this Warrant is convertible), each future holder of all such securities, and the Company.

8.6 SEVERABILITY. If one or more provisions of this Warrant are held to be unenforceable under applicable law, such provision shall be excluded from this Warrant and the balance of the Warrant shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

8.7 GOVERNING LAW. This Warrant shall be governed by and construed and enforced in accordance with the laws of the State of California, without giving effect to its conflicts of laws principles.

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8.8 COUNTERPARTS. This Warrant may be executed in any number

of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Date: September 29, 2000

DIGIRAD CORPORATION,
a Delaware corporation

By:

Scott Huennekens
President

ACKNOWLEDGED AND AGREED:

- ---

By:

Title:

[SIGNATURE PAGE TO WARRANT]

SCHEDULE 1

FORM OF SUBSCRIPTION

(To be signed only on exercise of Warrant)

To: DIGIRAD CORPORATION

The undersigned, the holder of the Warrant attached hereto, hereby irrevocably elects to exercise the purchase rights represented by such Warrant for, and to purchase thereunder, _____ shares of Preferred Stock of Digirad Corporation, and herewith makes payment of $_____ therefor, and requests that the certificates for such shares be issued in the name of, and delivered to _____, whose address is _____.

(Signature must conform in all respects to name of the Holder as specified on the face of the Warrant)

(Print Name)

(Address)

Dated: _____

* Insert here the number of shares as to which the Warrant is being exercised.

SCHEDULE I

Warrant Number	Warrantholder	Number of Shares
PS-1	Kingsbury Capital Partners, L.P. III	9,881
PS-2	Ocean Avenue Investors, LLC - Anacapa Fund I	16,469
PS-3	Vector Late-Stage Equity Fund II (QP), L.P.	12,351
PS-4	Vector Late-Stage Equity Fund II, L.P.	4,117
PS-5	Kingsbury Capital Partners, L.P. IV	23,057

THIS WARRANT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED OR ANY STATE SECURITIES LAWS. NO SALE OR DISPOSITION MAY BE EFFECTED WITHOUT (i) EFFECTIVE REGISTRATION STATEMENTS RELATED THERETO, (ii) AN OPINION OF COUNSEL OR OTHER EVIDENCE, REASONABLY SATISFACTORY TO THE COMPANY, THAT SUCH REGISTRATIONS ARE NOT REQUIRED, (iii) RECEIPT OF NO-ACTION LETTERS FROM THE APPROPRIATE GOVERNMENTAL AUTHORITIES, OR (iv) OTHERWISE COMPLYING WITH THE PROVISIONS OF SECTION 7 OF THIS WARRANT.

DIGIRAD CORPORATION

WARRANT TO PURCHASE SHARES
OF SERIES E PREFERRED STOCK

THIS CERTIFIES THAT, for value received, and its assignees are entitled to subscribe for and purchase shares of the fully paid and nonassessable Series E Preferred Stock (as adjusted pursuant to Section 4 hereof, the "Shares") of DIGIRAD CORPORATION, a Delaware corporation (the "Company"), at the price of $3.036 per share (such price and such other price as shall result, from time to time, from the adjustments specified in Section 4 hereof is herein referred to as the "Warrant Price"), subject to the provisions and upon the terms and conditions hereinafter set forth. As used herein, (a) the term "Series Preferred" shall mean the Company's presently authorized Series E Preferred Stock, and any stock into or for which such Series E Preferred Stock may hereafter be converted or exchanged, and after the automatic conversion of the Series E Preferred Stock to Common Stock shall mean the Company's Common Stock, (b) the term "Date of Grant" shall mean , and (c) the term "Other Warrants" shall mean any other warrants issued by the Company in connection with the transaction with respect to which this Warrant was issued, the Loan and Security Agreement dated as of October 27, 1999 (the "Loan Agreement") between the Company and the lender named therein, and any warrant issued upon transfer or partial exercise of or in lieu of this Warrant. The term "Warrant" as used herein shall be deemed to include Other Warrants unless the context clearly requires otherwise.

If the Company is eligible under the Loan Agreement and requests Lender to fund the Second Loan pursuant to the terms of the Loan Agreement, but Lender elects not to fund the Second Loan, the number of shares of the fully paid and nonassessable Series E Preferred Stock the holder is entitled to subscribe for and purchase as set forth above shall be reduced from to . The terms "Lender" and "Second Loan" shall have the meaning given these capitalized terms in the Loan Agreement.

1. Term. The purchase right represented by this Warrant is exercisable, in whole or in part, at any time and from time to time from the Date of Grant through the later of (i) seven (7) years after the Date of Grant or (ii) five (5) years after the closing of the Company's initial public

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offering of its Common Stock ("IPO") effected pursuant to a Registration Statement on Form S-1 (or its successor) filed under the Securities Act of 1933, as amended (the "Act").

2. Method of Exercise; Payment; Issuance of New Warrant. Subject to Section 1 hereof, the purchase right represented by this Warrant may be exercised by the holder hereof, in whole or in part and from time to time, at the election of the holder hereof, by (a) the surrender of this Warrant (with the notice of exercise substantially in the form attached hereto as Exhibit A-1 duly completed and executed) at the principal office of the Company and by the payment to the Company, by certified or bank check, or by wire transfer to an account designated by the Company (a "Wire Transfer") of an amount equal to the then applicable Warrant Price multiplied by the number of Shares then being purchased; (b) if in connection with a registered public offering of the Company's securities, the surrender of this Warrant (with the notice of exercise form attached hereto as Exhibit A-2 duly completed and executed) at the principal office of the Company together with notice of arrangements reasonably satisfactory to the Company for payment to the Company either by certified or bank check or by Wire Transfer from the proceeds of the sale of shares to be sold by the holder in such public offering of an amount equal to the then applicable Warrant Price per share multiplied by the number of Shares then being purchased; or (c) exercise of the "net issuance" right provided for in Section 10.2 hereof. The person or persons in whose name(s) any certificate(s) representing shares of Series Preferred shall be issuable upon exercise of this Warrant shall be deemed to have become the holder(s) of record of, and shall be treated for all purposes as the record holder(s) of, the shares represented thereby (and such shares shall be deemed to have been issued) immediately prior to the close of business on the date or dates upon which this Warrant is exercised. In the event of any exercise of the rights represented by this Warrant, certificates for the shares of stock so purchased shall be delivered to the holder hereof as soon as possible and in any event within thirty (30) days after such exercise and, unless this Warrant has been fully exercised or expired, a new Warrant representing the portion of the Shares, if any, with respect to which this Warrant shall not then have been exercised shall also be issued to the holder hereof as soon as possible and in any event within such thirty-day period; provided, however, at such time as the Company is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, if requested by the holder of this Warrant, the Company shall cause its transfer agent to deliver the certificate representing Shares issued upon exercise of this Warrant to a broker or other person (as directed by the holder exercising this Warrant) within the time period required to settle any trade made by the holder after exercise of this Warrant.

3. Stock Fully Paid; Reservation of Shares. All Shares that may be issued upon the exercise of the rights represented by this Warrant will, upon issuance pursuant to the terms and conditions herein, be fully paid and nonassessable, and free from all taxes, liens and charges with respect to the issue thereof. During the period within which the rights represented by this Warrant may be exercised, the Company will at all times have authorized, and reserved for the purpose of the issue upon exercise of the purchase rights evidenced by this Warrant, a sufficient number of shares of its Series Preferred to provide for the exercise of the rights represented by this Warrant and a sufficient number of shares of its Common Stock to provide for the conversion of the Series Preferred into Common Stock.

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4. Adjustment of Warrant Price and Number of Shares. The number and kind of securities purchasable upon the exercise of this Warrant and the Warrant Price shall be subject to adjustment from time to time upon the occurrence of certain events, as follows:

(a) Reclassification or Merger. In case of any reclassification or change of securities of the class issuable upon exercise of this Warrant (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), or in case of any merger of the Company with or into another corporation (other than a merger with another corporation in which the Company is the

acquiring and the surviving corporation and which does not result in any reclassification or change of outstanding securities issuable upon exercise of this Warrant), or in case of any sale of all or substantially all of the assets of the Company, the Company, or such successor or purchasing corporation, as the case may be, shall duly execute and deliver to the holder of this Warrant a new Warrant (in form and substance satisfactory to the holder of this Warrant), or the Company shall make appropriate provision without the issuance of a new Warrant, so that the holder of this Warrant shall have the right to receive, at a total purchase price not to exceed that payable upon the exercise of the unexercised portion of this Warrant, and in lieu of the shares of Series Preferred theretofore issuable upon exercise of this Warrant, (i) the kind and amount of shares of stock, other securities, money and property receivable upon such reclassification, change, merger or sale by a holder of the number of shares of Series Preferred then purchasable under this Warrant, or (ii) in the case of such a merger or sale in which the consideration paid consists all or in part of assets other than securities of the successor or purchasing corporation, at the option of the Holder of this Warrant, the securities of the successor or purchasing corporation having a value at the time of the transaction equivalent to the valuation of the Series Preferred at the time of the transaction. Any new Warrant shall provide for adjustments that shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 4. The provisions of this subparagraph (a) shall similarly apply to successive reclassifications, changes, mergers and transfers.

(b) Subdivision or Combination of Shares. If the Company at any time while this Warrant remains outstanding and unexpired shall subdivide or combine its outstanding shares of Series Preferred, the Warrant Price shall be proportionately decreased and the number of Shares issuable hereunder shall be proportionately increased in the case of a subdivision and the Warrant Price shall be proportionately increased and the number of Shares issuable hereunder shall be proportionately decreased in the case of a combination.

(c) Stock Dividends and Other Distributions. If the Company at any time while this Warrant is outstanding and unexpired shall (i) pay a dividend with respect to Series Preferred payable in Series Preferred, then the Warrant Price shall be adjusted, from and after the date of determination of shareholders entitled to receive such dividend or distribution, to that price determined by multiplying the Warrant Price in effect immediately prior to such date of determination by a fraction (A) the numerator of which shall be the total number of shares of Series Preferred outstanding immediately prior to such dividend or distribution, and (B) the denominator of which shall be the total number of shares of Series Preferred outstanding immediately after such dividend or distribution; or (ii) make any other distribution with respect to Series Preferred (except any distribution specifically provided for in Sections 4(a) and 4(b)), then, in each such case, provision shall be made by the Company such that the holder of this

Warrant shall receive upon exercise of this Warrant a proportionate share of any such dividend or distribution as though it were the holder of the Series Preferred (or Common Stock issuable upon conversion thereof) as of the record date fixed for the determination of the shareholders of the Company entitled to receive such dividend or distribution.

(d) Adjustment of Number of Shares. Upon each adjustment in the Warrant Price, the number of Shares of Series Preferred purchasable hereunder shall be adjusted, to the nearest whole share, to the product obtained by multiplying the number of Shares purchasable immediately prior to such adjustment in the Warrant Price by a fraction, the numerator of which shall be the Warrant Price immediately prior to such adjustment and the denominator of which shall be the Warrant Price immediately thereafter.

(e) Antidilution Rights. The other antidilution rights applicable to the Shares of Series Preferred purchasable hereunder are set forth in the Company's Certificate of Incorporation, as amended through the Date of Grant, a true and complete copy of which is attached hereto as Exhibit B (the "Charter"). Such antidilution rights shall not be restated, amended, modified or waived in any manner that is adverse to the holder hereof without such holder's prior written consent. The Company shall promptly provide the holder hereof with any restatement, amendment, modification or waiver of the Charter promptly after the same has been made.

5. Notice of Adjustments. Whenever the Warrant Price or the number of Shares purchasable hereunder shall be adjusted pursuant to Section 4 hereof, the Company shall make a certificate signed by its chief financial officer setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the Warrant Price and the number of Shares purchasable hereunder after giving effect to such adjustment, and shall cause copies of such certificate to be mailed (without regard to Section 13 hereof, by first class mail, postage prepaid) to the holder of this Warrant. In addition, whenever the conversion price or conversion ratio of the Series Preferred shall be adjusted, the Company shall make a certificate signed by its chief financial officer setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the conversion price or ratio of the Series Preferred after giving effect to such adjustment, and shall cause copies of such certificate to be mailed (without regard to Section 13 hereof, by first class mail, postage prepaid) to the holder of this Warrant.

6. Fractional Shares. No fractional shares of Series Preferred will be issued in connection with any exercise hereunder, but in lieu of such fractional shares the Company shall make a cash payment therefor based on the fair market value of the Series Preferred on the date of exercise as reasonably determined in good faith by the Company's Board of Directors.

7. Compliance with Act; Disposition of Warrant or Shares of Series Preferred.

(a) Compliance with Act. The holder of this Warrant, by acceptance hereof, agrees that this Warrant, and the shares of Series Preferred to be issued upon exercise hereof and any Common Stock issued upon conversion thereof are being acquired for investment and that

such holder will not offer, sell or otherwise dispose of this Warrant, or any shares of Series Preferred to be issued upon exercise hereof or any Common Stock issued upon conversion thereof except under circumstances which will not result in a violation of the Act or any applicable state securities laws. Upon exercise of this Warrant, unless the Shares being acquired are registered under the Act and any applicable state securities laws or an exemption from such registration is available, the holder hereof shall confirm in writing that the shares of Series Preferred so purchased (and any shares of Common Stock issued upon conversion thereof) are being acquired for investment and not with a view toward distribution or resale in violation of the Act and shall confirm such other matters related thereto as may be reasonably requested by the Company. This Warrant and all shares of Series Preferred issued upon exercise of this Warrant and all shares of Common Stock issued upon conversion thereof (unless registered under the Act and any applicable state securities laws) shall be stamped or imprinted with a legend in substantially the following form:

"THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. NO SALE OR DISPOSITION MAY BE EFFECTED WITHOUT (i) EFFECTIVE REGISTRATION STATEMENTS RELATED THERETO, (ii) AN OPINION OF COUNSEL OR OTHER EVIDENCE, REASONABLY SATISFACTORY TO THE COMPANY, THAT SUCH REGISTRATIONS ARE NOT REQUIRED, (iii) RECEIPT OF NO-ACTION LETTERS FROM THE APPROPRIATE GOVERNMENTAL AUTHORITIES, OR (iv) OTHERWISE COMPLYING WITH THE PROVISIONS OF SECTION 7 OF THE WARRANT UNDER WHICH THESE SECURITIES WERE ISSUED, DIRECTLY OR INDIRECTLY."

Said legend shall be removed by the Company, upon the request of a holder, at such time as the restrictions on the transfer of the applicable security shall have terminated. In addition, in connection with the issuance of this Warrant, the holder specifically represents to the Company by acceptance of this Warrant as follows:

(1) The holder is aware of the Company's business affairs and financial condition, and has acquired information about the Company sufficient to reach an informed and knowledgeable decision to acquire this Warrant. The holder is acquiring this Warrant for its own account for investment purposes only and not with a view to, or for the resale in connection with, any "distribution" thereof in violation of the Act. By executing this Warrant, the holder further represents as of the Date of Grant that the holder does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participation to such person or to any third person, with respect to any of the Shares or this Warrant.

(2) The holder is a holder in securities of companies in the development stage and acknowledges that it is able to fend for itself, can bear the economic risk of its holding and has such knowledge ad experience in financial and business matters that it is capable of evaluating the merits and risks of the acquisition of this Warrant and the Shares.

(3) The holder understands that this Warrant has not been registered under the Act in reliance upon a specific exemption therefrom, which exemption

depends upon, among other things, the bona fide nature of the holder's investment intent as expressed herein.

(4) The holder further understands that this Warrant must be held indefinitely unless subsequently registered under the Act and qualified under any applicable state securities laws, or unless exemptions from registration and qualification are otherwise available. The holder is aware of the provisions of Rule 144, promulgated under the Act.

(5) The holder is an "accredited investor" as such term is defined in Rule 501 of Regulation D promulgated under the Act.

(b) Disposition of Warrant or Shares. With respect to any offer, sale or other disposition of this Warrant or any shares of Series Preferred acquired pursuant to the exercise of this Warrant prior to registration of such Warrant or shares, the holder hereof agrees to give written notice to the Company prior thereto, describing briefly the manner thereof, together with a written opinion of such holder's counsel, or other evidence, if reasonably satisfactory to the Company, to the effect that such offer, sale or other disposition may be effected without registration or qualification (under the Act as then in effect or any federal or state securities law then in effect) of this Warrant or such shares of Series Preferred or Common Stock and indicating whether or not under the Act certificates for this Warrant or such shares of Series Preferred to be sold or otherwise disposed of require any restrictive legend as to applicable restrictions on transferability in order to ensure compliance with such law. Upon receiving such written notice and reasonably satisfactory opinion or other evidence, the Company, as promptly as practicable but no later than fifteen (15) days after receipt of the written notice, shall notify such holder that such holder may sell or otherwise dispose of this Warrant or such shares of Series Preferred or Common Stock, all in accordance with the terms of the notice delivered to the Company. If a determination has been made pursuant to this Section 7(b) that the opinion of counsel for the holder or other evidence is not reasonably satisfactory to the Company, the Company shall so notify the holder promptly with details thereof after such determination has been made. Notwithstanding the foregoing, this Warrant or such shares of Series Preferred or Common Stock may, as to such federal laws, be offered, sold or otherwise disposed of in accordance with Rule 144 or 144A under the Act, provided that the Company shall have been furnished with such information as the Company may reasonably request to provide a reasonable assurance that the provisions of Rule 144 or 144A have been satisfied. Each certificate representing this Warrant or the shares of Series Preferred thus transferred (except a transfer pursuant to Rule 144 or 144A) shall bear a legend as to the applicable restrictions on transferability in order to ensure compliance with such laws, unless in the aforesaid opinion of counsel for the holder, such legend is not required in order to ensure compliance with such laws. The Company may issue stop transfer instructions to its transfer agent in connection with such restrictions.

(c) Applicability of Restrictions. Neither any restrictions of any legend described in this Warrant nor the requirements of Section 7(b) above shall apply to any transfer of, or grant of a security interest in, this Warrant (or the Series Preferred or Common Stock obtainable upon exercise thereof) or any part hereof (i) to a partner of the holder if the holder is a partnership or to a member of the holder if the holder is a limited liability company, (ii) to a

partnership of which the holder is a partner or to a limited liability company of which the holder is a member, or (iii) to any affiliate of the holder if the holder is a corporation; provided, however, in any such transfer, if applicable, the transferee shall on the Company's request agree in writing to be bound by the terms of this Warrant as if an original holder hereof.

8. Rights as Shareholders; Information. No holder of this Warrant, as such, shall be entitled to vote or receive dividends or be deemed the holder of Series Preferred or any other securities of the Company which may at any time be issuable on the exercise hereof for any purpose, nor shall anything contained herein be construed to confer upon the holder of this Warrant, as such, any of the rights of a shareholder of the Company or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to receive notice of meetings, or to receive dividends or subscription rights or otherwise until this Warrant shall have been exercised and the Shares purchasable upon the exercise hereof shall have become deliverable, as provided herein. Notwithstanding the foregoing, the Company will transmit to the holder of this Warrant such information, documents and reports as are generally distributed to the holders of any class or series of the securities of the Company concurrently with the distribution thereof to the shareholders.

9. Market Stand-Off Agreement. During the time period not to exceed 180 days specified by the Company and an underwriter of securities of the Company, following the effective date of a registration statement of the Company filed under the Act (the "Lock-up"), the holder shall not, to the extent requested by the Company and such underwriter, directly or indirectly sell, offer to sell, contract to sell (including, without limitation, any short sale), grant any option to purchase or otherwise transfer or dispose of (other than to transferees or donees who agree to be similarly bound) any securities of the Company held by it at any time during such period except Common Stock included in such registration; provided, however, that this Section 9 shall be applicable (a) only to the first such registration statement of the Company pursuant to which Common Stock (or other securities) of the Company are to be sold on its behalf to the public in an underwritten offering, and (b) only if all officers and directors of the Company enter into similar agreements, and (c) such underwriters certify to the holder of this Warrant in writing that (1) they have determined that the holder must be so bound during the Lock-up or it would have a material negative impact on the offering, and (2) all other holders of warrants of the Company have agreed to be similarly restricted. In order to enforce the foregoing covenant, the Company may impose stop-transfer restrictions with respect to the Shares of the holder (and the shares or securities of every person subject to the foregoing restriction) until the end of such period

10. Additional Rights.

10.1 Acquisition Transactions. The Company shall provide the holder of this Warrant with at least twenty (20) days' written notice prior to closing thereof of the terms and conditions of any of the following transactions (to the extent the Company has notice thereof): (i) the sale, lease, exchange, conveyance or other disposition of all or substantially all of the Company's property or business, or (ii) its merger into or consolidation with any other corporation (other than a wholly-owned subsidiary of the Company), or any transaction (including a merger or other

reorganization) or series of related transactions, in which more than 50% of the voting power of the Company is disposed of.

10.2 Right to Convert Warrant into Stock: Net Issuance.

(a) Right to Convert. In addition to and without limiting the rights of the holder under the terms of this Warrant, the holder shall have the right to convert this Warrant or any portion thereof (the "Conversion Right") into shares of Series Preferred (or Common Stock if the Series Preferred has been automatically converted into Common Stock) as provided in this Section 10.2 at any time or from time to time during the term of this Warrant. Upon exercise of the Conversion Right with respect to a particular number of shares subject to this Warrant (the "Converted Warrant Shares"), the Company shall deliver to the holder (without payment by the holder of any exercise price or any cash or other consideration) that number of shares of fully paid and nonassessable Series Preferred (or Common Stock if the Series Preferred has been automatically converted into Common Stock) as is determined according to the following formula:

$$X = \frac{B - A}{Y}$$

Where: X = the number of shares of Series Preferred (or Common Stock if the Series Preferred has been automatically converted to Common Stock) that shall be issued to holder

Y = the fair market value of one share of Series Preferred (or Common Stock if the Series Preferred has been automatically converted to Common Stock)

A = the aggregate Warrant Price of the specified number of Converted Warrant Shares immediately prior to the exercise of the Conversion Right *(i.e.*, the number of Converted Warrant Shares *multiplied by* the Warrant Price)

B = the aggregate fair market value of the specified number of Converted Warrant Shares (*i.e.*, the number of Converted Warrant Shares *multiplied by* the fair market value of one Converted Warrant Share)

No fractional shares shall be issuable upon exercise of the Conversion Right, and, if the number of shares to be issued determined in accordance with the foregoing formula is other than a whole number, the Company shall pay to the holder an amount in cash equal to the fair market value of the resulting fractional share on the Conversion Date (as hereinafter defined). For purposes of Section 9 of this Warrant, shares issued pursuant to the Conversion Right shall be treated as if they were issued upon the exercise of this Warrant.

(b) Method of Exercise. The Conversion Right may be exercised by the holder by the surrender of this Warrant at the principal office of the Company together with a

written statement (which may be in the form of Exhibit A-1 or Exhibit A-2 hereto) specifying that the holder thereby intends to exercise the Conversion Right and indicating the number of shares subject to this Warrant which are being surrendered (referred to in Section 10.2(a) hereof as the Converted Warrant Shares) in exercise of the Conversion Right. Such conversion shall be effective upon receipt by the Company of this Warrant together with the aforesaid written statement, or on such later date as is specified therein (the "Conversion Date"), and, at the election of the holder hereof, may be made contingent upon the closing of the sale of the Company's Common Stock to the public in a public offering pursuant to a Registration Statement under the Act (a "Public Offering"). Certificates for the shares issuable upon exercise of the Conversion Right and, if applicable, a new warrant evidencing the balance of the shares remaining subject to this Warrant, shall be issued as of the Conversion Date and shall be delivered to the holder within thirty (30) days following the Conversion Date.

(c) Determination of Fair Market Value. For purposes of this Section 10.2, "fair market value" of a share of Series Preferred (or Common Stock if the Series Preferred has been automatically converted into Common Stock) as of a particular date (the "Determination Date") shall mean:

(i) If the Conversion Right is exercised in connection with and contingent upon a Public Offering, and if the Company's Registration Statement relating to such Public Offering ("Registration Statement") has been declared effective by the Securities and Exchange Commission,

then the initial "Price to Public" specified in the final prospectus with respect to such offering.

(ii) If the Conversion Right is not exercised in connection with and contingent upon a Public Offering, then as follows:

(A) If traded on a securities exchange, the fair market value of the Common Stock shall be deemed to be the average of the closing prices of the Common Stock on such exchange over the 30-day period ending five business days prior to the Determination Date, and the fair market value of the Series Preferred shall be deemed to be such fair market value of the Common Stock multiplied by the number of shares of Common Stock into which each share of Series Preferred is then convertible;

(B) If traded on the Nasdaq Stock Market or other over-the-counter system, the fair market value of the Common Stock shall be deemed to be the average of the closing bid prices of the Common Stock over the 30-day period ending five business days prior to the Determination Date, and the fair market value of the Series Preferred shall be deemed to be such fair market value of the Common Stock multiplied by the number of shares of Common Stock into which each share of Series Preferred is then convertible; and

(C) If there is no public market for the Common Stock, then fair market value shall be determined by the Board of Directors of the Company acting in good faith.

10.3 Exercise Prior to Expiration. To the extent this Warrant is not previously exercised as to all of the Shares subject hereto, and if the fair market value of one share of the

Series Preferred is greater than the Warrant Price then in effect, this Warrant shall be deemed automatically exercised pursuant to Section 10.2 above (even if not surrendered) immediately before its expiration. For purposes of such automatic exercise, the fair market value of one share of the Series Preferred upon such expiration shall be determined pursuant to Section 10.2(c). To the extent this Warrant or any portion thereof is deemed automatically exercised pursuant to this Section 10.3, the Company agrees to promptly notify the holder hereof of the number of Shares, if any, the holder hereof is to receive by reason of such automatic exercise.

11. Representations and Warranties. The Company represents and warrants to the holder of this Warrant as follows:

(a) This Warrant has been duly authorized and executed by the Company and is a valid and binding obligation of the Company enforceable in accordance with its terms, subject to laws of general application relating to bankruptcy, insolvency and the relief of debtors and the rules of law or principles at equity governing specific performance, injunctive relief and other equitable remedies;

(b) The Shares have been duly authorized and reserved for issuance by the Company and, when issued in accordance with the terms hereof, will be validly issued, fully paid and non-assessable;

(c) The rights, preferences, privileges and restrictions granted to or imposed upon the Series Preferred and the holders thereof are as set forth in the Charter, and on the Date of Grant, each share of the Series Preferred represented by this Warrant is convertible into one share of Common Stock;

(d) The shares of Common Stock issuable upon conversion of the Shares have been duly authorized and reserved for issuance by the Company and, when issued in accordance with the terms of the Charter will be validly issued, fully paid and nonassessable;

(e) The execution and delivery of this Warrant are not, and the issuance of the Shares upon exercise of this Warrant in accordance with the terms hereof will not be, inconsistent with the Company's Charter or by-laws, do not and will not contravene any law, governmental rule or regulation, judgment or order applicable to the Company, and do not and will not conflict with or contravene any provision of, or constitute a default under, any indenture, mortgage, contract or other instrument of which the Company is a party or by which it is bound or require the consent or approval of, the giving of notice to, the registration or filing with or the taking of any action in respect of or by, any Federal, state or local government authority or agency or other person, except for the filing of notices pursuant to federal and state securities laws, which filings will be effected by the time required thereby; and

(f) There are no actions, suits, audits, investigations or proceedings pending or, to the knowledge of the Company, threatened against the Company in any court or before any governmental commission, board or authority which, if adversely determined, will have a material adverse effect on the ability of the Company to perform its obligations under this Warrant.

(g) The number of shares of Common Stock of the Company outstanding on the date hereof, on a fully diluted basis (assuming the conversion of all outstanding convertible securities and the exercise of all outstanding options and warrants), does not exceed 25,891,150 shares.

12. Modification and Waiver. This Warrant and any provision hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of the same is sought.

13. Notices. Any notice, request, communication or other document required or permitted to be given or delivered to the holder hereof or the Company shall be delivered, or shall be sent by certified or registered mail, postage prepaid, to each such holder at its address as shown on the books of the Company or to the Company at the address indicated therefor on the signature page of this Warrant.

14. Binding Effect on Successors. This Warrant shall be binding upon any corporation succeeding the Company by merger, consolidation or acquisition of all or substantially all of the Company's assets, and all of the obligations of the Company relating to the Series Preferred issuable upon the exercise or conversion of this Warrant shall survive the exercise, conversion and termination of this Warrant and all of the covenants and agreements of the Company shall inure to the benefit of the successors and assigns of the holder hereof.

15. Lost Warrants or Stock Certificates. The Company covenants to the holder hereof that, upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant or any stock certificate and, in the case of any such loss, theft or destruction, upon receipt of an indemnity reasonably satisfactory to the Company, or in the case of any such mutilation upon surrender and cancellation of such Warrant or stock certificate, the Company will make and deliver a new Warrant or stock certificate, of like tenor, in lieu of the lost, stolen, destroyed or mutilated Warrant or stock certificate.

16. Descriptive Headings. The descriptive headings of the several paragraphs of this Warrant are inserted for convenience only and do not constitute a part of this Warrant. The language in this Warrant shall be construed as to its fair meaning without regard to which party drafted this Warrant.

17. Governing Law. This Warrant shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the State of California (without giving effect to principles of conflicts of laws).

18. Survival of Representations, Warranties and Agreements. All representations and warranties of the Company and the holder hereof contained herein shall survive the Date of Grant, the exercise or conversion of this Warrant (or any part hereof) or the termination or expiration of rights hereunder. All agreements of the Company and the holder hereof contained herein shall survive indefinitely until, by their respective terms, they are no longer operative.

19. Remedies. In case any one or more of the covenants and agreements contained in this Warrant shall have been breached, the holders hereof (in the case of a breach by the Company), or the Company (in the case of a breach by a holder), may proceed to protect and enforce their or its rights either by suit in equity and/or by action at law, including, but not limited to, an action for damages as a result of any such breach and/or an action for specific performance of any such covenant or agreement contained in this Warrant.

20. No Impairment of Rights. The Company will not, by amendment of its Charter or through any other means, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the holder of this Warrant against impairment.

21. Severability. The invalidity or unenforceability of any provision of this Warrant in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction, or affect any other provision of this Warrant, which shall remain in full force and effect.

22. Recovery of Litigation Costs. If any legal action or other proceeding is brought for the enforcement of this Warrant, or because of an alleged dispute, breach, default, or misrepresentation in connection with any of the provisions of this Warrant, the successful or prevailing party or parties shall be entitled to recover reasonable attorneys' fees and other costs incurred in that action or proceeding, in addition to any other relief to which it or they may be entitled.

23. Entire Agreement; Modification. This Warrant constitutes the entire agreement between the parties pertaining to the subject matter contained in it and supersedes all prior and contemporaneous agreements, representations, and undertakings of the parties, whether oral or written, with respect to such subject matter.

The Company has caused this Warrant to be duly executed and delivered as of the Date of Grant specified above.

DIGIRAD CORPORATION

By _____

Title _____

Address: 9350 Trade Place
San Diego, CA 92121

_____

By _____

Title _____

Address:

EXHIBIT A-1

NOTICE OF EXERCISE

To: DIGIRAD CORPORATION (the "Company")

1. The undersigned hereby:

o elects to purchase shares of [Series Preferred Stock] [Common Stock] of the Company pursuant to the terms of the attached Warrant, and tenders herewith payment of the purchase price of such shares in full, or

o elects to exercise its net issuance rights pursuant to Section 10.2 of the attached Warrant with respect to Shares of [Series Preferred Stock] [Common Stock].

2. Please issue a certificate or certificates representing shares in the name of the undersigned or in such other name or names as are specified below:

_____
(Name)

_____

_____
(Address)

3. The undersigned represents that the aforesaid shares are being acquired for the account of the undersigned for investment and not with a view to, or for resale in connection with, the distribution thereof and that the undersigned has no present intention of distributing or reselling such shares, all except as in compliance with applicable securities laws.

_____
(Signature)

_____
(Date)

EXHIBIT A-2

NOTICE OF EXERCISE

To: DIGIRAD CORPORATION (the "Company")

1. Contingent upon and effective immediately prior to the closing (the "Closing") of the Company's public offering contemplated by the Registration Statement on Form S , filed , 19 , the undersigned hereby:

o elects to purchase shares of [Series Preferred Stock] [Common Stock] of the Company (or such lesser number of shares as may be sold on behalf of the undersigned at the Closing) pursuant to the terms of the attached Warrant, or

o elects to exercise its net issuance rights pursuant to Section 10.2 of the attached Warrant with respect to Shares of [Series Preferred Stock] [Common Stock].

2. Please deliver to the custodian for the selling shareholders a stock certificate representing such shares.

3. The undersigned has instructed the custodian for the selling shareholders to deliver to the Company $ or, if less, the net proceeds due the undersigned from the sale of shares in the aforesaid public offering. If such net proceeds are less than the purchase price for such shares, the undersigned agrees to deliver the difference to the Company prior to the Closing.

_____
(Signature)

_____
(Date)

EXHIBIT B

CHARTER

SCHEDULE OF INVESTORS

DATE OF GRANT	WARRANTHOLDER	NUMBER OF SHARES	NUMBER OF SHARES WITHOUT SECOND LOAN
10/27/1999	Priority Capital	24,703	Reduction from

			24,703 to 16,469
10/27/1999	Meier Mitchell & Company	172,925	Reduction from 172,925 to 115,283
05/09/2000	Meier Mitchell & Company	27,307	Reduction from 172,925 to 115,283
05/09/2000	Priority Capital	3,901	Reduction from 24,703 to 16,469

EXHIBIT 10.28

THIS WARRANT AND THE SECURITIES ISSUABLE UPON THE EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT WITH RESPECT TO THE SECURITIES OR DELIVERY TO THE COMPANY OF AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY THAT SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS IN COMPLIANCE WITH THE ACT OR UNLESS SOLD IN FULL COMPLIANCE WITH RULE 144 UNDER THE ACT.

WARRANT TO PURCHASE COMMON STOCK

OF

DIGIRAD CORPORATION

Date of Issuance -

Void after

Digirad Corporation, a Delaware corporation (the "COMPANY"), hereby certifies that, for value received (including any successors and assigns, the "HOLDER"), is entitled, subject to the terms set forth below, to purchase from the Company at any time, subject to Section 2.3 herein, before 5:00 PM Pacific time on (the "EXPIRATION DATE") up to ( ) fully paid and nonassessable shares of Common Stock of the Company, subject to adjustment as provided herein (the "WARRANT SHARES") The purchase price per share of such Common Stock upon exercise of this Warrant shall be $ (the "PURCHASE PRICE"), subject to adjustment as provided herein.

1. INITIAL EXERCISE DATE; EXPIRATION. Subject to Section 2.3 herein, this Warrant may be exercised by the Holder at any time or from time to time before 5:00 PM, Pacific time, on (the "EXERCISE PERIOD") for that number of Warrant Shares set forth in Section 2.2 below.

2. EXERCISE OF WARRANT; NUMBER OF WARRANT SHARES; TERMINATION.

2.1 EXERCISE OF WARRANT; PARTIAL EXERCISE. This Warrant may be exercised in full or in part by the Holder by surrender of this Warrant, together with the form of subscription attached hereto as Schedule 1, duly executed by the Holder, to the Company at its principal office, accompanied by payment, in cash or by certified or official bank check payable to the order of the Company, of the Purchase Price of the shares of Common Stock to be purchased hereunder in an amount equal to such Purchase Price. For any partial exercise hereof, the Holder shall designate in a subscription in the form of Schedule 1 attached hereto delivered to the Company the number of shares of Common Stock that it wishes to purchase. On any such partial exercise, the Company at its expense shall forthwith issue and deliver to the Holder a new warrant of like tenor, in the name of the Holder, which shall be exercisable for such number of

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shares of Common Stock represented by this Warrant which have not been purchased upon such exercise.

2.2 NUMBER OF WARRANT SHARES. Subject to adjustment as hereinafter provided, as of the Date of Issuance, the rights represented by this Warrant are immediately exercisable for shares of Common Stock of the Company.

2.3 TERMINATION OF THE WARRANT UPON A CORPORATE TRANSACTION. Immediately following a Corporate Transaction (as hereinafter defined), this Warrant shall terminate and cease to be outstanding, provided that written notice has been given to the Holder at least 20 days prior to the occurrence of the Corporate Transaction. For the purposes of this Warrant, "Corporate Transaction" shall mean: (i) a merger or consolidation in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such transaction; or (ii) the sale, transfer or other disposition of all or substantially all of the Company's assets in complete liquidation or dissolution of the Company.

3. NET ISSUANCE.

3.1 RIGHT TO CONVERT. The Holder shall have the right to convert this Warrant or any portion thereof (the "CONVERSION RIGHT") into shares of Common Stock as provided in this Section 3 at any time or from time to time during the Exercise Period Upon exercise of the Conversion Right with respect to a particular number of shares subject to the Warrant (the "CONVERTED WARRANT SHARES"), the Company shall deliver to the Holder (without payment by the Holder of any exercise price or any cash or other consideration) that number of shares of fully paid and nonassessable shares of Common Stock computed using the following formula:

$$X = \frac{Y(A - B)}{A}$$

Where

X = the number of shares of Common Stock to be delivered to the Holder

Y = the number of Converted Warrant Shares

A = the fair market value of one share of the Company's Common Stock on the Conversion Date (as defined below)

B = the Purchase Price (as adjusted through the Conversion Date)

The Conversion Right may only be exercised with respect to a whole number of shares subject to the Warrant. No fractional shares shall be issuable upon exercise of the Conversion Right, and if the number of shares to be issued determined in accordance with the foregoing formula is other

than a whole number, the Company shall pay to the Holder an amount in cash equal to the fair market value of the resulting fractional share on the Conversion Date (as defined below). Shares issued pursuant to the Conversion Right shall be treated as if they were issued upon the exercise of the Warrant.

3.2 METHOD OF EXERCISE. The Conversion Right may be exercised by the Holder by the surrender of the Warrant at the principal office of the Company together with a written statement specifying that the Holder thereby intends to exercise the Conversion Right and indicating the total number of shares under the Warrant that the Holder is exercising through the Conversion Right. Such conversion shall be effective upon receipt by the Company of the Warrant together with the aforesaid written statement, or on such later date as is specified therein (the "CONVERSION DATE"). Certificates for the shares issuable upon exercise of the Conversion Right and, if applicable, a new warrant evidencing the balance of the shares remaining subject to the Warrant, shall be issued as of the Conversion Date and shall be delivered to the Holder promptly following the Conversion Date.

3.3 DETERMINATION OF FAIR MARKET VALUE. For purposes of this Section 3, fair market value of a share of Common Stock on the Conversion Date shall mean:

(1) If traded on a stock exchange, the fair market value of the Common Stock shall be deemed to be the average of the closing selling prices of the Common Stock on the stock exchange determined by the Board to be the primary market for the Common Stock over the ten (10) trading day period (or such shorter period immediately following the closing of an initial public offering) ending on the date prior to the Conversion Date, as such prices are officially quoted in the composite tape of transactions on such exchange;

(2) If traded over-the-counter, the fair market value of the Common Stock shall be deemed to be the average of the closing bid prices (or, if such information is available, the closing selling prices) of the Common Stock over the ten (10) trading day period (or such shorter period immediately following the closing of an initial public offering) ending on the date prior to the Conversion Date, as such prices are reported by the National Association of Securities Dealers through its NASDAQ system or any successor system; and

(3) If there is no public market for the Common Stock, then the fair market value shall be determined in good faith by the Board of Directors of the Company.

4. WHEN EXERCISE EFFECTIVE. The exercise of this Warrant shall be deemed to have been effected immediately prior to the close of business on the business day on which this Warrant is surrendered to the Company as provided in Section 2.1, and at such time the person in whose name any certificate for shares of Common Stock shall be issuable upon such exercise, as provided in Section 5, shall be deemed to be the record holder of such Common Stock for all purposes.

5. DELIVERY ON EXERCISE As soon as practicable after the exercise of this Warrant in full or in part, the Company at its expense (including the payment by it of any applicable issue taxes) will cause to be issued in the name of and delivered to the Holder, or as the Holder may direct, a certificate or certificates for the number of fully paid and nonassessable

full shares of Common Stock to which the Holder shall be entitled on such exercise, together with cash, in lieu of any fraction of a share, equal to such fraction of the current market value of one full share of Common Stock as determined in good faith by the Board of Directors.

6. ADJUSTMENTS. The number and kind of shares of Common Stock (or any shares of stock or other securities which may be) issuable upon the exercise of this Warrant and the Purchase Price shall be subject to adjustment from time to time upon the happening of certain events, as follows:

6.1 DIVIDENDS, DISTRIBUTIONS, STOCK SPLITS OR COMBINATIONS. If the Company shall at any time or from time to time after the date hereof (a) make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in additional shares of common or preferred stock (as the case may be), (b) subdivide its outstanding shares of Common Stock into a larger number of shares of Common Stock or (c) combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock, then and in each such event the Purchase Price then in effect and the number of shares issuable upon exercise of this Warrant shall be appropriately adjusted.

6.2 RECLASSIFICATION OR REORGANIZATION. If the Common Stock (or any shares of stock or other securities which may be) issuable upon the exercise of this Warrant shall be changed into the same or different number of shares of any class or classes of stock, whether by capital reorganization, reclassification or otherwise (other than a subdivision or combination of shares or stock dividend provided for in Section 6.1 above, or pursuant to a Corporate Transaction), then and in each such event the Holder shall be entitled to receive upon the exercise of this Warrant the kind and amount of shares of stock and other securities and property receivable upon such reorganization, reclassification or other change, to which a holder of the number of shares of Common Stock (or any shares of stock or other securities which may be) issuable upon the exercise of this Warrant would have received if this Warrant had been exercised immediately prior to such reorganization, reclassification or other change, all subject to further adjustment as provided herein.

6.3 NOTICE OF ADJUSTMENTS AND RECORD DATES. The Company shall promptly notify the Holder in writing of each adjustment or readjustment of the Purchase Price and the number of shares of Common Stock (or any shares of stock or other securities which may be) issuable upon the exercise of this Warrant. Such notice shall state the adjustment or readjustment and show in reasonable detail the facts on which that adjustment or readjustment is based. In the event of any taking by the Company of a record of the holders of Common Stock for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution, the Company shall notify Holder in writing of such record date at least twenty (20) days prior to the date specified therein.

6.4 WHEN ADJUSTMENTS TO BE MADE. No adjustment in the Purchase Price shall be required by this Section 6 if such adjustment either by itself or with other adjustments not previously made would require an increase or decrease of less than 1% in such price. Any adjustment

representing a change of less than such minimum amount which is postponed shall be carried forward and made as soon as such adjustment, together with other

adjustments required by this Section 6 and not previously made, would result in a minimum adjustment. Notwithstanding the foregoing, any adjustment carried forward shall be made no later than ten business days prior to the Expiration Date. All calculations under this Section 6.4 shall be made to the nearest cent. For the purpose of any adjustment, any specified event shall be deemed to have occurred at the close of business on the date of its occurrence.

6.5 CERTAIN OTHER EVENTS. If any change in the outstanding Common Stock of the Company or any other event occurs as to which the other provisions of this Section 6 are not strictly applicable or if strictly applicable would not fairly protect the purchase rights of the Holder of the Warrant in accordance with such provisions, then the Board of Directors of the Company shall make an adjustment in the number and class of shares available under the Warrant, the Purchase Price or the application of such provisions, so as to protect such purchase rights as aforesaid. The adjustment shall be such as will give the Holder of the Warrant upon exercise for the same aggregate Purchase Price the total number, class and kind of shares as the Holder would have owned had the Warrant been exercised prior to the event and had the Holder continued to hold such shares until after the event requiring adjustment.

7. REPLACEMENT OF WARRANTS. On receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of any such loss, theft or destruction of this Warrant, on delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company or, in the case of any such mutilation, on surrender and cancellation of such Warrant, the Company at its expense will execute and deliver to the Holder, in lieu thereof, a new Warrant of like tenor.

8. NO RIGHTS OR LIABILITY AS A STOCKHOLDER. This Warrant does not entitle the Holder hereof to any voting rights or other rights as a stockholder of the Company. No provisions hereof, in the absence of affirmative action by the Holder to purchase Common Stock, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder as a shareholder of the Company.

9. REPRESENTATIONS OF HOLDER.

The Holder hereby represents, covenants and acknowledges to the Company that:

(1) this Warrant and the Warrant Shares are “restricted securities” as such term is used in the rules and regulations under the Act and that such securities have not been and will not be registered under the Act or any state securities law, and that such securities must be held indefinitely unless a transfer can be made pursuant to appropriate exemptions;

(2) the Holder has read, and fully understands, the terms of this Warrant set forth on its face and the attachments hereto, including the restrictions on transfer contained herein;

(3) the Holder is purchasing for investment for its own account and not with a view to or for sale in connection with any distribution of this Warrant or the Warrant Shares and it has no intention of selling such securities in a public distribution in violation of the federal securities laws or any applicable state securities laws;

(4) the Holder is an “accredited investor” within the meaning of paragraph (a) of Rule 501 of Regulation D promulgated by the Securities and Exchange Commission (the “Commission”) and an “excluded purchaser” within the meaning of Section 25102(f) of the California Corporate Securities Law of 1968; and

(5) the Holder (i) has received all information the Holder has requested from the Company and considers necessary or appropriate for deciding whether to acquire this Warrant, (ii) has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of this Warrant and to obtain any additional information necessary to verify the accuracy of the information given to the Holder, and (iii) has such knowledge and experience in financial and business matters such that the Holder is capable of evaluating the merits and risks of the investment in this Warrant.

10. MISCELLANEOUS.

10.1 TRANSFER OF WARRANT. This Warrant shall not be transferable or assignable by the Holder without the express written consent of the Company.

10.2 NOTICES. Any notice required or permitted under this Warrant shall be in writing and shall be hand delivered, sent by facsimile or other electronic medium, or mailed, postage prepaid, to the Company or to the Holder at the address set forth below on the signature page to this Warrant or to such other address as may be furnished in writing to the other party hereto.

10.3 ATTORNEYS’ FEES. If any action at law or in equity is necessary to enforce or interpret the terms of this Warrant, the prevailing party shall be entitled to reasonable attorneys’ fees, costs and disbursements in addition to any other relief to which such party may be entitled.

10.4 AMENDMENTS AND WAIVERS. Any term of this Warrant may be amended and the observance of any other term of this Warrant may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Holder.

10.5 SEVERABILITY. If one or more provisions of this Warrant are held to be unenforceable under applicable law, such provision shall be excluded from this Warrant and the balance of the Warrant shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

10.6 GOVERNING LAW. This Warrant shall be governed by and construed and enforced in accordance with the laws of the State of California, without giving effect to its conflicts of laws principles.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned have caused this Warrant to be executed by its officers thereunto duly authorized.

DIGIRAD CORPORATION

By: _____

Address: 9350 Trade Place
San Diego, CA 92126-6334

HOLDER:

Address: _____

[SIGNATURE PAGE TO WARRANT OF DIGIRAD CORPORATION]

SCHEDULE 1

FORM OF SUBSCRIPTION

(To be signed only on exercise of Warrant)

To: Digirad Corporation

The undersigned, the holder of the Warrant attached hereto, hereby irrevocably elects to exercise the purchase rights represented by such Warrant for, and to purchase thereunder, * shares of common stock of Digirad Corporation, and herewith makes payment of $ therefor, and requests that the certificates for such shares be issued in the name of, and delivered to , whose address is .

_____
(Signature must conform in all respects
to name of the Holder as specified on
the face of the Warrant)

_____
(Print Name)

_____
(Address)

Dated: _____

* Insert here the number of shares as to which the Warrant is being exercised.

SCHEDULE OF WARRANTHOLDERS

DATE	WARRANTHOLDER	PRICE	NUMBER OF SHARES	EXPIRATION / EXERCISE PERIOD

11/14/00	Cardiovascular Consultants	$	1.50	10,000	11/14/05
11/14/00	Robert McKenzie	$	3.04	500	11/14/05
01/04/01	Stephen A McAdams	$	1.50	10,000	01/04/06
01/04/01	John C Whitham	$	1.50	10,000	01/04/06
01/26/01	Oklahoma Cardiovascular Associates	$	2.00	20,000	01/26/06
03/01/01	Stephen A McAdams	$	3.04	5,000	03/01/06
03/01/01	John C Whitham	$	3.04	5,000	03/01/06
03/28/01	Stephen A McAdams	$	3.04	10,000	03/28/06
03/28/01	John C Whitham	$	3.04	10,000	03/28/06
05/15/01	Stephen A McAdams	$	3.04	5,000	05/15/06
05/15/01	John C Whitham	$	3.04	5,000	05/15/06
05/15/01	Austin Heart	$	3.04	10,000	05/15/06
07/19/01	Stephen A McAdams	$	3.04	50,000	07/19/06
07/19/01	John C Whitham	$	3.04	50,000	07/19/06
12/14/01	Stephen A. McAdams	$	1.50	8,333	12/14/06
12/14/01	John C. Whitham	$	1.50	8,333	12/14/06
12/14/01	Oklahoma Cardiovascular Associates	$	3.00	5,000	12/14/06
03/05/02	Dr. Bob Jaros	$	3.00	6,000	03/05/07
03/05/02	Dr. Dan Stobbe	$	3.00	5,000	03/05/07

EXHIBIT 10.30

*** CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT (INDICATED BY ASTERISKS) HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT UNDER 17 C.F.R. SECTIONS 200.80(B)(4), 200.83 AND 230.406.

AMENDED AND RESTATED WARRANT ISSUANCE AGREEMENT

This Amended and Restated Warrant Issuance Agreement (this "Agreement") is effective as of November 13, 2002 (the "Effective Date") by and between Digirad Corporation, a Delaware corporation (the "Company"), McAdams and Whitham Consulting, LLC ("MWC Consulting") and Dr. Stephen A. McAdams and John C. Whitham (each, a "Principal" and collectively, the "Principals"). Capitalized terms used herein which are not defined shall have the definitions ascribed to them in the Consulting Agreement (as defined below).

RECITALS

WHEREAS, the Company, MWC Consulting and the Principals are party to a certain Warrant Issuance Agreement dated July 31, 2001 (the "Prior Issuance Agreement"), pursuant to which the Company is obligated to periodically issue to the Principals certain warrants to purchase shares of the Common Stock of the Company ("Common Stock");

WHEREAS, the Company and MWC Consulting have entered into a certain Consulting Agreement dated November 13, 2002 (the "Consulting Agreement"), pursuant to which the Company is obligated to periodically issue to MWC Consulting certain warrants to purchase shares of the Common Stock of the Company;

WHEREAS, the Company, MWC Consulting and the Principals desire that the issuance of warrants pursuant to the Consulting Agreement be governed by this Agreement and further agree that the Prior Issuance Agreement shall be superceded and replaced in its entirety by this Agreement and that this Agreement shall govern the rights of MWC Consulting and the Principals to be issued warrants to purchase shares of Common Stock of the Company and other matters as set forth herein;

WHEREAS, Dr. Stephen A. McAdams and Mr. John C. Whitham are the sole principals of MWC Consulting and desire to have any Warrants (as defined below) issued to them in their individual names;

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company, MWC Consulting and the Principals hereby agree as follows:

1. Issuance of Warrants.

1.1 Number: Issuance Schedule: Exercise Price. Subject to the terms and conditions of the Consulting Agreement and this Agreement, the Company shall issue to each Principal warrants in substantially the form attached hereto as Exhibit A (each, a "Warrant" and collectively, the "Warrants"), to purchase up to that number of shares of Common Stock as is

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determined pursuant to Section 1.2. The Warrants will be issued and delivered from time to time as is determined pursuant to Section 1.3. The Warrants will be exercisable at a price per share as is determined pursuant to Section 1.4.

1.2 Number of Warrant Shares. Subject to this Section 1.2 and Section 1.3, the Company shall issue to each Principal Warrants, exercisable at a price per share as is determined pursuant to Section 1.4, to purchase up to that number of shares of Common Stock as is determined pursuant to the following:

(a) The Company shall issue to each Principal a Warrant to purchase up to *** shares of Common Stock of the Company for each Unit sold to an Identified Customer (as defined in the Consulting Agreement) on or after the Effective Date;

(b) As a condition precedent to the Company's obligation to issue to the Principals any Warrant or Warrants pursuant to this Agreement, MWC Consulting shall deliver to the Company documentation reasonably satisfactory to the Company and signed by each of the Principals, confirming that the Unit(s)have been sold to the Identified Customer(s) (a "Sales Report").

(c) The Company's obligation to issue to the Principals any Warrant or Warrants pursuant to this Agreement shall terminate upon either (i) the Company's or MWC Consulting's receipt of notice of termination of the Consulting Agreement or (ii) the Principals' receipt of Warrants to purchase up to an aggregate of *** shares of Common Stock pursuant to this Agreement.

(d) For purposes of this Section 1.2, a "Unit" or "Units" shall mean a *** a *** or any successor *** designated by the Company.

1.3 Issuance Schedule. After the Company's receipt and acceptance of a Sales Report, at the next meeting of the Board of Directors (the "Board") of the Company (such date, the "Meeting Date"), the Company shall issue to the Principals Warrants, exercisable at a price as is determined pursuant to Section 1.4, to purchase up to that number of shares of Common Stock as is determined pursuant to Section 1.2. The "Date of Issuance" of each such Warrant shall be the Meeting Date. Such Warrant shall thereafter be delivered to the Principals within ***.

1.4 Exercise Price. The Exercise Price of any Warrant issued pursuant to Section 1.3 shall be *** ***, with reference to the following:

(a) ***
***
***

*** Portions of this page have been omitted pursuant to a request for Confidential Treatment and filed separately with the commission.

(b) ***
***
***

; and

(c) ***
***.

2. Representations and Warranties of the Principals. Each Principal hereby represents and warrants to and for the benefit of the Company, with knowledge that the Company is relying thereon in entering into this Agreement and issuing the Warrants to the Principals, as follows:

2.1 Purchase Entirely for Own Account. By the Principals' execution of this Agreement, each Principal hereby confirms that any Warrant to be received by the Principal and the Common Stock issuable upon exercise of such Warrant (collectively, the "Securities") shall be acquired for investment for the Principal's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and that the Principal has no present intention of selling, granting any participation in, or otherwise distributing the Securities. By executing this Agreement, each Principal further represents that each Principal does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participation to such person or to any third person, with respect to any of the Securities. Each Principal represents that he has full power and authority to enter into this Agreement.

2.2 Investment Experience. Each Principal is an investor in securities of companies in the development stage and acknowledges that he is able to fend for himself, can bear the economic risk of his investment and has such knowledge and experience in financial or business matters that he is capable of evaluating the merits and risks of the investment in the Securities.

2.3 Accredited Investor. Each Principal is an "accredited investor" within the meaning of Securities and Exchange Commission Rule 501 of Regulation D, as now in effect.

2.4 Restricted Securities. Each Principal understands that the Securities he is and shall be acquiring are characterized as "restricted securities" under the federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such laws and applicable regulations the Securities may be resold without registration under the Securities Act of 1933, as amended (the "Act"), only in certain limited circumstances. In this connection, each Principal represents that he is familiar with Rule 144 promulgated under the Act, as now in effect, and understands the resale limitations imposed thereby and by the Act.

2.5 Legends. Each Principal understands that the certificates evidencing the Securities may bear one or more of the following or other legends:

*** Portions of this page have been omitted pursuant to a request for Confidential Treatment and filed separately with the commission.

(a) "The securities evidenced by this certificate have not been registered under the Securities Act of 1933, as amended (the "Act") or the securities laws of any state of the United States. The securities evidenced by this certificate may not be offered, sold or transferred for value, directly or indirectly, in the absence of such registration under the Act and qualification under applicable state laws, or pursuant to an exemption from registration under the Act and qualification under applicable state laws, the availability of which is to be established to the reasonable satisfaction of the Company."

(b) Any legend required by the laws of the states of California or Delaware, including any legend required by the California Department of Corporations and Sections 417 and 418 of the California Corporations Code.

(c) Any legend required to be placed on the Securities purchased by Principals in any future sale or offering of any Securities.

3. Restrictions on Disposition. Without in any way limiting the representations set forth in Section 2 above, each Principal further agrees not to make any disposition of all or any portion of the Securities unless and until the transferee (if such sale is in a privately negotiated transaction) has agreed in writing for the benefit of the Company to be bound by this Section 3, and in addition thereto, one of the following conditions is satisfied:

3.1 Securities Registered. There is then in effect a registration statement under the Act covering such proposed disposition and such disposition is made in accordance with such registration statement.

3.2 Registration Not Required. The Principals shall have (i) notified the Company of the proposed disposition and shall have furnished the Company with a reasonably detailed statement of the circumstances surrounding the proposed disposition and (ii) if reasonably requested by the

Company, furnished the Company with an opinion of counsel, satisfactory to the Company, that such disposition will not require registration of such securities under the Act; provided, however, that the Company will not require opinions of counsel for transactions made pursuant to Rule 144, except in unusual circumstances.

4. Market Stand-Off Agreement. Each Principal hereby agrees that, during the period of duration specified by the Company and an underwriter of Common Stock or other securities of the Company, following the effective date of a registration statement of the Company filed under the Act, he shall not, to the extent requested by the Company and such underwriter, directly or indirectly sell, offer to sell, contract to sell (including, without limitation, any short sale), grant any option to purchase or otherwise transfer or dispose of (other than to donees who agree to be similarly bound) any securities of the Company held by him at any time during such period except Common Stock included in such registration; provided, however, that:

4.1 Such agreement shall not exceed 180 days for the first such registration statement of the Company which covers Common Stock (or other securities) to be sold on its behalf to the public in an underwritten offering;

4.2 Such agreement shall not exceed ninety (90) days for any subsequent

registration statement of the Company which covers Common Stock (or other securities) to be sold on its behalf to the public in an underwritten offering; and

4.3 All directors and officers of the Company as well as all holders of one percent (1 %) or more of the Company's outstanding capital stock are similarly bound.

In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the Securities of the Principal (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period.

5. General Provisions.

5.1 Governing Law. This Agreement and/or the Warrants shall be governed by and construed and enforced in accordance with the laws of the State of California as applied to agreements among California residents entered into and to be performed entirely within California.

5.2 Entire Agreement. This Agreement, together with the agreements and documents referred to herein, the Consulting Agreement, and those certain Warrants to Purchase Common Stock dated November 13,2002 issued to each of the Principals, constitute the entire agreement among the parties hereto with respect to the subject matter hereof and supersede all prior and contemporaneous negotiations, agreements and understandings.

5.3 Notices. Any notice required or permitted under this Agreement and/or the Warrants shall be in writing and shall be hand delivered, sent by facsimile or other electronic medium, by registered or certified mail, postage prepaid, or by nationally recognized overnight carrier to the Company, MWC Consulting or the Principals at the address set forth below or to such other address as may be furnished in writing to the other party hereto. Such notice shall be deemed effectively given (i) if hand delivered, upon delivery, (ii) if sent by facsimile or other electronic medium, when confirmed, if sent during the normal business hours of the recipient (and if not sent during the normal business hours of the recipient, then on the next business day), (iii) if sent by mail, five days after having been sent or (iv) if sent by nationally recognized overnight courier, one day after deposit with such courier:

MWC Consulting:
McAdams and Whitham Consulting, LLC
1718 East Fourth St., Suite 501
Charlotte, NC 28204
Attention: Dr. Stephen A. McAdams

Company:
Digirad Corporation
9350 Trade Place
San Diego, CA 92126-6334
Attention: Chief Executive Officer

Principals:
Stephen A. McAdams
McAdams and Whitham Consulting, LLC
1718 East Fourth St., Suite 501
Charlotte, NC 28204

John C. Whitham
McAdams and Whitham Consulting, LLC
1718 East Fourth St., Suite 501
Charlotte, NC 28204

5.4 Successors and Assigns. This Agreement, and the rights and obligations of each of the parties hereunder, may not be assigned by MWC Consulting or the Principals without the prior written consent of the Company. Subject to the foregoing sentence, this Agreement shall inure to the benefit of, and shall be binding upon, the parties and their successors and assigns.

5.5 Severability. If one or more provisions of this Agreement and/or the Warrants are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of this Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

5.6 Amendments and Waivers. Any term of this Agreement and the Warrants may be amended and the observance of any other term of this Warrant may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company, MWC Consulting and the Principals.

5.7 Attorneys' Fees. If any action at law or in equity is necessary to enforce or interpret the terms of this Warrant, the prevailing party shall be entitled to reasonable attorneys' fees, costs and disbursements in addition to any other relief to which such party may be entitled.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

The undersigned have caused this Agreement to be executed as of the date first written above.

COMPANY: DIGIRAD CORPORATION

By: _____
David M. Sheehan
President and Chief Executive Officer

MWC CONSULTING: MCADAMS AND WHITHAM CONSULTING, LLC

By: _____
Stephen A. McAdams

By: _____
John C. Whitham

PRINCIPALS:

_____
Stephen A. McAdams

_____
John C. Whitham

[SIGNATURE PAGE TO
AMENDED AND REST A TED WARRANT ISSUANCE AGREEMENT]

EXHIBIT A

FORM OF WARRANT TO PURCHASE COMMON STOCK

THIS WARRANT AND THE COMMON STOCK ISSUABLE UPON THE EXERCISE HEREOF (COLLECTIVELY, THE "SECURITIES") HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT UNDER THE ACT WITH RESPECT TO THE SECURITIES OR DELIVERY TO THE COMPANY OF AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY THAT SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS IN COMPLIANCE WITH THE ACT OR UNLESS SOLD IN FULL COMPLIANCE WITH RULE 144 UNDER THE ACT.

WARRANT TO PURCHASE COMMON STOCK

OF

DIGIRAD CORPORATION

MWC - Date of Issuance -

This Warrant is one of several warrants issued by Digirad Corporation, a Delaware corporation (the "**Company**"), in connection with that certain Amended and Restated Warrant Issuance Agreement dated November 13,2002 (the "**Issuance Agreement**"), by and between the Company, McAdams and Whitham Consulting, LLC and [**Stephen A. McAdams/John C. Whitham**] (including any successors and assigns, the "Holder") and is subject to, and the Company and the Holder shall be bound by, all of the terms, conditions and provisions of the Issuance Agreement.

The Company hereby certifies that, for value received, the Holder is entitled, subject to the terms set forth below, to purchase from the Company at any time or from time to time, before 5:00 PM Pacific time on the date which is *** after the Date of Issuance noted above (the "**Expiration Date**")

up to fully paid and nonassessable shares of Common Stock of the Company ("**Common Stock**"), as determined by Section 1.2 of the Issuance Agreement and subject to adjustment as provided herein (the "**Warrant Shares**"). The purchase price per share of such Common Stock upon exercise of this Warrant shall be $, as determined pursuant to Section 1.4 of the Issuance Agreement and subject to adjustment as provided herein (the "**Exercise Price**").

1. Exercise Period. Subject to Section 2.2 herein, this Warrant may be exercised by the Holder at any time or from time to time after the Date of Issuance noted above but before 5:00 PM, Pacific time on the Expiration Date (the "**Exercise Period**") for up to that number of Warrant Shares as is set forth above.

2. Exercise of Warrant Number of Warrant Shares: Termination.

2.1 Exercise of Warrant Partial Exercise. This Warrant may be exercised in full or in part by the Holder with respect to any or all of the Warrant Shares by surrender of this

*** Portions of this page have been omitted pursuant to a request for Confidential Treatment and filed separately with the commission.

Warrant, together with the form of subscription attached hereto as Schedule 1, duly executed by the Holder, to the Company at its principal office, accompanied by payment, in cash or by certified or official bank check payable to the order of the Company, of the aggregate Exercise Price for the Warrant Shares to be purchased hereunder. For any partial exercise hereof, the Holder shall designate in a notice of exercise or net issue election notice that number of shares of Common Stock that he wishes to purchase. On any such partial exercise, the Company at its expense shall forthwith issue and deliver to the Holder a new warrant of like tenor, in the name of the Holder, which shall be exercisable for such number of shares of Common Stock represented by this Warrant which have not been purchased upon such exercise.

2.2 Termination of the Warrant Upon a Corporate Transaction. Immediately following a Corporate Transaction (as hereinafter defined), this Warrant shall terminate and cease to be outstanding, provided that written notice has been given to the Holder at least 20 days prior to the occurrence of the Corporate Transaction. For the purposes of this Warrant, a "Corporate Transaction" shall mean: (i) a merger or consolidation in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such transaction; or (ii) the sale, transfer or other disposition of all or substantially all of the Company's assets in complete liquidation or dissolution of the Company.

3. Net Issuance.

3.1 Right to Convert. The Holder shall have the right to convert this Warrant or any portion thereof (the "**Conversion Right**") into shares of Common Stock as provided in this Section 3 at any time or from time to time during the Exercise Period. Upon exercise of the Conversion Right with respect to a particular number of Warrant Shares (the "**Converted Warrant Shares**"), the Company shall deliver to the Holder (without payment by the Holder of any exercise price or any cash or other consideration) that number of shares of fully paid and nonassessable shares of Common Stock computed using the following formula:

$$X = \frac{Y(A - B)}{A}$$

Where X = the number of shares of Common Stock to be delivered to the Holder

Y = the number of Converted Warrant Shares

A = the fair market value of one share of the Company's Common Stock on the Conversion Date (as defined below)

B = the Exercise Price (as adjusted through the Conversion Date)

The Conversion Right may only be exercised with respect to a whole number of Warrant Shares. No fractional shares shall be issuable upon exercise of the Conversion Right, and if the number of shares to be issued determined in accordance with the foregoing formula is other than a whole number, the Company shall pay to the Holder an amount in cash equal to the fair market value of

the resulting fractional share on the Conversion Date (as defined below). Shares issued pursuant to the Conversion Right shall be treated as if they were issued upon the exercise of this Warrant.

3.2 Method of Exercise. The Conversion Right may be exercised by the Holder by the surrender of this Warrant at the principal office of the Company together with a written statement specifying that the Holder thereby intends to exercise the Conversion Right and indicating the total number of shares under this Warrant that the Holder is exercising through the Conversion Right. Such conversion shall be effective upon receipt by the Company of this Warrant together with the aforesaid written statement, or on such later date as is specified therein (the "**Conversion Date**") and at such time the person in whose name any certificate for shares of Common Stock shall be issuable upon such exercise shall be deemed to be the record holder of such Common Stock for all purposes. Certificates for the shares issuable upon exercise of the Conversion Right and, if applicable, a new warrant evidencing the balance of the shares remaining subject to the Warrant, shall be issued as of the Conversion Date and shall be delivered to the Holder promptly following the Conversion Date.

3.3 Determination of Fair Market Value. For purposes of this Section 3, fair market value of a share of Common Stock on the Conversion Date shall mean:

(1) If traded on a stock exchange, the fair market value of the Common Stock shall be deemed to be the average of the closing selling prices of the Common Stock on the stock exchange determined by the Board of Directors of the Company (the "**Board**") to be the primary market for the Common Stock over the ten (10) trading day period (or such shorter period immediately following the closing of the Company's initial public offering) ending on the date prior to the Conversion Date, as such prices are officially quoted in the composite tape of transactions on such exchange;

(2) If traded over-the-counter, the fair market value of the Common Stock shall be deemed to be the average of the closing bid prices (or, if such information is available, the closing selling prices) of the Common Stock over the ten (10) trading day period (or such shorter period immediately following the closing of the Company's initial public offering) ending on the date prior to the Conversion Date, as such prices are reported by the National Association of Securities Dealers through its NASDAQ system or any successor system; and

(3) If there is no public market for the Common Stock, the fair market value of the Common Stock shall be determined in good faith by the Board.

4. When Exercise Effective. The exercise of this Warrant pursuant to Section 2 shall be deemed to have been effected immediately prior to the close of business on the business day on which this Warrant is surrendered to the Company as provided in Section 2.1, or on such later date as is specified in the form of subscription, and at such time the person in whose name any certificate for shares of Common Stock shall be issuable upon such exercise, as provided in Section 5, shall be deemed to be the record holder of such Common Stock for all purposes.

5. Delivery on Exercise. As soon as practicable after the exercise of this Warrant in full or in part pursuant to Section 2, the Company at its expense (including the payment by it of

any applicable issue taxes) will cause to be issued in the name of and delivered to the Holder, or as the Holder may direct, a certificate or certificates for the number of fully paid and nonassessable full shares of Common Stock to which the Holder shall be entitled on such exercise, together with cash, in lieu of any fraction of a share, equal to such fraction of the current market value of one full share of Common Stock as determined pursuant to Section 3.3.

6. Adjustments. The number and kind of shares of Common Stock (or any shares of stock or other securities which may be) issuable upon the exercise of this Warrant and the Exercise Price shall be subject to adjustment from time to time upon the happening of certain events, as follows:

6.1 Dividends. Distributions. Stock Splits or Combinations. If the Company shall at any time or from time to time after the date hereof (a) make or issue, or fix a record date for the determination of holders of Common Stock (or any shares of stock or other securities which may be issuable upon the exercise of this Warrant) entitled to receive, a dividend or other distribution payable in additional shares of common or preferred stock, (b) subdivide its outstanding shares of Common Stock (or any shares of stock or other securities which may be issuable upon exercise of this Warrant) into a larger number of shares of Common Stock (or any shares of stock or other securities which may be issuable upon exercise of this Warrant) or (c) combine its outstanding shares of Common Stock (or any shares of stock or other securities which may be issuable upon exercise of this W arrant) into a smaller number of shares of Common Stock (or any shares of stock or other securities which may be issuable upon exercise of this Warrant), then and in each such event the Exercise Price then in effect and the number of shares issuable upon exercise of this Warrant shall be appropriately adjusted.

6.2 Reclassification or Reorganization. If the Common Stock (or any shares of stock or other securities which may be) issuable upon the exercise of this Warrant shall be changed into the same or different number of shares of any class or classes of stock, whether by capital reorganization, reclassification or otherwise (other than a subdivision or combination of shares or stock dividend provided for in Section 6.1 above, or pursuant to a Corporate Transaction), then and in each such event the Holder shall be entitled to receive upon the exercise of this Warrant the kind and amount of shares of stock and other securities and property receivable upon such reorganization, reclassification or other change to which a holder of the number of shares of Common Stock (or any shares of stock or other securities which may be) issuable upon the exercise of this Warrant would have received if this Warrant had been exercised immediately prior to such reorganization, reclassification or other change, all subject to further adjustment as provided herein.

6.3 Notice of Adjustments and Record Dates. The Company shall promptly notify the Holder in writing of each adjustment or readjustment of the Exercise Price and the number of shares of Common Stock (or any shares of stock or other securities which may be) issuable upon the exercise of this Warrant. Such notice shall state the adjustment or readjustment and show in reasonable detail the facts on which that adjustment or readjustment is based. In the event of any taking by the Company of a record of the holders of Common Stock (or any shares of stock or other securities which may be issuable upon the exercise of this Warrant) for the purpose of determining the holders thereof who are entitled to receive any dividend or other

distribution, the Company shall notify Holder in writing of such record date at least twenty (20) days prior to the date specified therein.

6.4 When Adjustments To Be Made. No adjustment in the Exercise Price shall be required by this Section 6 if such adjustment either by itself or with other adjustments not previously made would require an increase or decrease of less than one percent (1 %) in such price. Any adjustment representing a change of less than such minimum amount which is postponed shall be carried forward and made as soon as such adjustment, together with other adjustments required by this Section 6 and not previously made, would result in a minimum adjustment. Notwithstanding the foregoing, any adjustment carried forward shall be made no later than ten (10) business days prior to the Expiration Date. All calculations under this Section 6.4 shall be made to the nearest cent. For the purpose of any adjustment, any specified event shall be deemed to have occurred at the close of business on the date of its occurrence.

6.5 Certain Other Events. If any change in the outstanding Common Stock (or any shares of stock or other securities which may be issuable upon the exercise of this Warrant) or any other event occurs as to which the other provisions of this Section 6 are not strictly applicable or if strictly applicable would not fairly protect the purchase rights of the Holder of the Warrant in accordance with such provisions, then the Board shall make an adjustment in the number and class of shares available under this Warrant, the Exercise Price or the application of such provisions, so as to protect such purchase rights as aforesaid. The adjustment shall be such as will give the Holder, upon exercise of this Warrant, the same aggregate Exercise Price and the same total number, class and kind of shares as the Holder would have owned had this Warrant been exercised prior to the event and had the Holder continued to hold such shares until after the event requiring adjustment.

7. Replacement of Warrants. On receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of any such loss, theft or destruction of this Warrant, on delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company or, in the case of any such mutilation, on surrender and cancellation of such Warrant, the Company at its expense will execute and deliver to the Holder, in lieu thereof, a new warrant of like tenor.

8. No Rights or Liability as a Stockholder. This Warrant does not entitle the Holder hereof to any voting rights or other rights as a stockholder of the Company. No provisions hereof, in the absence of affirmative action by the Holder to purchase Common Stock, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder as a stockholder of the Company.

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IN WITNESS WHEREOF, the undersigned have caused this Warrant to be executed by its officers thereunto duly authorized.

DIGIRAD CORPORATION

By: _____

Name: _____

Its: _____

[SIGNATURE PAGE TO WARRANT TO PURCHASE COMMON STOCK OF DIGIRAD CORPORATION]

SCHEDULE 1

FORM OF SUBSCRIPTION

(To be signed only on exercise of Warrant)

To: Digirad Corporation

The undersigned, the holder of the Warrant attached hereto, hereby irrevocably elects to exercise the purchase rights represented by such Warrant for, and to purchase thereunder, * shares of common stock of Digirad Corporation, and herewith makes payment of $ therefor, and requests that the certificates for such shares be issued in the name of, and delivered to , whose address is

_____
(Signature must conform in all respects to name of the Holder as specified on the face of the Warrant)

_____
(Print Name)

_____
(Address)

Dated: _____

* Insert here the number of shares as to which the Warrant is being exercised.

EXHIBIT 10.32

*** CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT (INDICATED BY ASTERISKS) HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT UNDER 17 C.F.R. SECTIONS 200.80(B)(4), 200.83 AND 230.406.

THIS WARRANT AND THE COMMON STOCK ISSUABLE UPON THE EXERCISE HEREOF (COLLECTIVELY, THE "SECURITIES") HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT UNDER THE ACT WITH RESPECT TO THE SECURITIES OR DELIVERY TO THE COMPANY OF AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY THAT SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS IN COMPLIANCE WITH THE ACT OR UNLESS SOLD IN FULL COMPLIANCE WITH RULE 144 UNDER THE ACT.

WARRANT TO PURCHASE COMMON STOCK

OF

DIGIRAD CORPORATION

MWC - Date of Issuance – November 13, 2002

Void after November 13, 2007

Digirad Corporation, a Delaware corporation (the **"Company"**), hereby certifies that, for value received (including any successors and assigns, the **"Holder"**), is entitled, subject to the terms set forth below, to purchase from the Company at any time or from time to time, before 5:00 PM, Pacific time on November 13, 2007 (the **"Expiration Date"**) up to *** shares of Common Stock of the Company (the "**Warrant Shares**"), subject to adjustment as provided herein. The purchase price per share of such Common Stock upon exercise of this Warrant shall be $ *** (the "**Exercise Price**"), subject to adjustment as provided herein.

1. Exercise Period. Subject to Section 2.2 herein, this Warrant may be exercised by the Holder at any time or from time to time after the Date of Issuance noted above but before 5:00 PM, Pacific time on the Expiration Date (the **"Exercise Period"**).

2. Exercise of Warrant; Number of Warrant Shares; Termination.

2.1 Exercise of Warrant; Partial Exercise. This Warrant may be exercised in full or in part by the Holder with respect to any or all of the Warrant Shares by surrender of this Warrant, together with the form of subscription attached hereto as Schedule 1, duly executed by the Holder, to the Company at its principal office, accompanied by payment, in cash or by certified or official bank check payable to the order of the Company, of the aggregate Exercise Price for the Warrant Shares to be purchased hereunder. For any partial exercise hereof, the Holder shall designate in a notice of exercise or net issue election notice that number of shares of Common Stock that he wishes to purchase. On any such partial exercise, the Company at its

*** Portions of this page have been omitted pursuant to a request for Confidential Treatment and filed separately with the commission.

expense shall forthwith issue and deliver to the Holder a new warrant of like tenor, in the name of the Holder, which shall be exercisable for such number of shares of Common Stock represented by this Warrant which have not been purchased upon such exercise.

2.2 Termination of the Warrant Upon a Corporate Transaction. Immediately following the occurrence of a Corporate Transaction, this Warrant shall terminate and cease to be outstanding, provided that written notice has been given to the Holder at least 20 days prior to the occurrence of the Corporate Transaction. For the purposes of this Warrant, a "Corporate Transaction" shall mean: (i) a merger or consolidation in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such transaction; or (ii) the sale, transfer or other disposition of all or substantially all of the Company's assets in complete liquidation or dissolution of the Company.

3. Net Issuance.

3.1 Right to Convert. The Holder shall have the right to convert this Warrant or any portion thereof (the **"Conversion Right"**) into shares of Common Stock as provided in this Section 3 at any time or from time to time during the Exercise Period. Upon exercise of the Conversion Right with respect to a particular number of Warrant Shares (the **"Converted Warrant Shares"**), the Company shall deliver to the Holder (without payment by the Holder of any exercise price or any cash or other consideration) that number of shares of fully paid and nonassessable shares of Common Stock computed using the following formula:

$$X = \frac{Y (A - B)}{A}$$

Where X = the number of shares of Common Stock to be delivered to the Holder

Y = the number of Converted Warrant Shares

A = the fair market value of one share of the Company's Common Stock on the Conversion Date (as defined below)

B = the Exercise Price (as adjusted through the Conversion Date)

The Conversion Right may only be exercised with respect to a whole number of Warrant Shares. No fractional shares shall be issuable upon exercise of the Conversion Right, and if the number of shares to be issued determined in accordance with the foregoing formula is other than a whole number, the Company shall pay to the Holder an amount in cash equal to the fair market value of the resulting fractional share on the Conversion Date (as defined below). Shares issued pursuant to the Conversion Right shall be treated as if they were issued upon the exercise of this Warrant.

3.2 Method of Exercise. The Conversion Right may be exercised by the Holder by the surrender of this Warrant at the principal office of the Company together with a written statement specifying that the Holder thereby intends to exercise the Conversion Right and indicating the total number of shares under this Warrant that the Holder is exercising through the Conversion Right. Such conversion shall be effective upon receipt by the Company of this

Warrant together with the aforesaid written statement, or on such later date as is specified therein (the **"Conversion Date"**) and at such time the person in whose name any certificate for shares of Common Stock shall be issuable upon such exercise shall be deemed to be the record holder of such Common Stock for all purposes. Certificates for the shares issuable upon exercise of the Conversion Right and, if applicable, a new warrant evidencing the balance of the shares remaining subject to the Warrant, shall be issued as of the Conversion Date and shall be delivered to the Holder promptly following the Conversion Date.

3.3 Determination of Fair Market Value. For purposes of this Section 3, fair market value of a share of Common Stock on the Conversion Date shall mean:

(1) If traded on a stock exchange, the fair market value of the Common Stock shall be deemed to be the average of the closing selling prices of the Common Stock on the stock exchange determined by the Board of Directors of the Company (the **"Board"**) to be the primary market for the Common Stock over the ten (10) trading day period (or such shorter period immediately following the closing of the Company's initial public offering) ending on the date prior to the Conversion Date, as such prices are officially quoted in the composite tape of transactions on such exchange;

(2) If traded over-the-counter, the fair market value of the Common Stock shall be deemed to be the average of the closing bid prices (or, if such information is available, the closing selling prices) of the Common Stock over the ten (10) trading day period (or such shorter period immediately following the closing of the Company's initial public offering) ending on the date prior to the Conversion Date, as such prices are reported by the National Association of Securities Dealers through its NASDAQ system or any successor system; and

(3) If there is no public market for the Common Stock, the fair market value of the Common Stock shall be determined in good faith by the Board.

4. When Exercise Effective. The exercise of this Warrant pursuant to Section 2 shall be deemed to have been effected immediately prior to the close of business on the business day on which this Warrant is surrendered to the Company as provided in Section 2.1, or on such later date as is specified in the form of subscription, and at such time the person in whose name any certificate for shares of Common Stock shall be issuable upon such exercise, as provided in Section 5, shall be deemed to be the record holder of such Common Stock for all purposes.

5. Delivery on Exercise. As soon as practicable after the exercise of this Warrant in full or in part pursuant to Section 2, the Company at its expense (including the payment by it of any applicable issue taxes) will cause to be issued in the name of and delivered to the Holder, or as the Holder may direct, a certificate or certificates for the number of fully paid and nonassessable full shares of Common Stock to which the Holder shall be entitled on such exercise, together with cash, in lieu of any fraction of a share, equal to such fraction of the current market value of one full share of Common Stock as determined pursuant to Section 3.3.

6. Adjustments. The number and kind of shares of Common Stock (or any shares of stock or other securities which may be) issuable upon the exercise of this Warrant and the

Exercise Price shall be subject to adjustment from time to time upon the happening of certain events, as follows:

6.1 Dividends, Distributions, Stock Splits or Combinations. If the Company shall at any time or from time to time after the date hereof (a) make or issue, or fix a record date for the determination of holders of Common Stock (or any shares of stock or other securities which may be issuable upon the exercise of this Warrant) entitled to receive, a dividend or other distribution payable in additional shares of common or preferred stock (as the case may be), (b) subdivide its outstanding shares of Common Stock (or any shares of stock or other securities which may be issuable upon the exercise of this Warrant) into a larger number of shares of Common Stock (or any shares of stock or other securities which may be issuable upon the exercise of this Warrant) or (c) combine its outstanding shares of Common Stock (or any shares of stock or other securities which may be issuable upon the exercise of this Warrant) into a smaller number of shares of Common Stock (or any shares of stock or other securities which may be issuable upon the exercise of this Warrant), then and in each such event the Exercise Price then in effect and the number of shares issuable upon exercise of this Warrant shall be appropriately adjusted.

6.2 Reclassification or Reorganization. If the Common Stock (or any shares of stock or other securities which may be) issuable upon the exercise of this Warrant shall be changed into the same or different number of shares of any class or classes of stock, whether by capital reorganization, reclassification or otherwise (other than a subdivision or combination of shares or stock dividend provided for in Section 6.1 above, or pursuant to a Corporate Transaction), then and in each such event the Holder shall be entitled to receive upon the exercise of this Warrant the kind and amount of shares of stock and other securities and property receivable upon such reorganization, reclassification or other change to which a holder of the number of shares of Common Stock (or any shares of stock or other securities which may be) issuable upon the exercise of this Warrant would have received if this Warrant had been exercised immediately prior to such reorganization, reclassification or other change, all subject to further adjustment as provided herein.

6.3 Notice of Adjustments and Record Dates. The Company shall promptly notify the Holder in writing of each adjustment or readjustment of the Exercise Price and the number of shares of Common Stock (or any shares of stock or other securities which may be) issuable upon the exercise of this Warrant. Such notice shall state the adjustment or readjustment and show in reasonable detail the facts on which that adjustment or readjustment is based. In the event of any taking by the Company of a record of the holders of Common Stock (or any shares of stock or other securities which may be issuable upon the exercise of this Warrant) for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution, the Company shall notify Holder in writing of such record date at least twenty (20) days prior to the date specified therein.

6.4 When Adjustments To Be Made. No adjustment in the Exercise Price shall be required by this Section 6 if such adjustment either by itself or with other adjustments not previously made would require an increase or decrease of less than one percent (1%) in such price. Any adjustment representing a change of less than such minimum amount which is postponed shall be carried forward and made as soon as such adjustment, together with other

adjustments required by this Section 6 and not previously made, would result in a minimum adjustment. Notwithstanding the foregoing, any adjustment carried forward shall be made no later than ten (10) business days prior to the Expiration Date. All calculations under this Section 6.4 shall be made to the nearest cent. For the purpose of any adjustment, any specified event shall be deemed to have occurred at the close of business on the date of its occurrence.

6.5 Certain Other Events. If any change in the outstanding Common Stock (or any shares of stock or other securities which may be issuable upon the exercise of this Warrant) or any other event occurs as to which the other provisions of this Section 6 are not strictly applicable or if strictly applicable would not fairly protect the purchase rights of the Holder of the Warrant in accordance with such provisions, then the Board shall make an adjustment in the number and class of shares available under this Warrant, the Exercise Price or the application of such provisions, so as to protect such purchase rights as aforesaid. The adjustment shall be such as will give the Holder, upon exercise of this Warrant, the same aggregate Exercise Price and the same total number, class and kind of shares as the Holder would have owned had this Warrant been exercised prior to the event and had the Holder continued to hold such shares until after the event requiring adjustment.

7. Replacement of Warrants. On receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of any such loss, theft or destruction of this Warrant, on delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company or, in the case of any such mutilation, on surrender and cancellation of such Warrant, the Company at its expense will execute and deliver to the Holder, in lieu thereof, a new warrant of like tenor.

8. No Rights or Liability as a Stockholder. This Warrant does not entitle the Holder hereof to any voting rights or other rights as a stockholder of the Company. No provisions hereof, in the absence of affirmative action by the Holder to purchase Common Stock, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder as a stockholder of the Company.

9. Representations of Holder.

The Holder hereby represents, covenants and acknowledges to the Company that:

(1) this Warrant and the Warrant Shares are “restricted securities” as such term is used in the rules and regulations under the Securities Act of 1933, as amended (the **“Act”**) and that this Warrant and the Warrant Shares have not been registered under the Act and the Company has no present intention of registering the Securities under the Act or any state securities law, and that this Warrant and the Warrant Shares must be held indefinitely unless a transfer can be made pursuant to appropriate exemptions;

(2) the Holder has read, and fully understands, the terms of this Warrant set forth on its face and the attachments hereto, including the restrictions on transfer contained herein;

(3) the Holder is purchasing for investment for his own account and not with a view to or for sale in connection with any distribution of this Warrant or the Warrant

Shares and he has no intention of selling such securities in a public distribution in violation of the federal securities laws or any applicable state securities laws;

(4) the Holder is an “accredited investor” within the meaning of paragraph (a) of Rule 501 of Regulation D promulgated by the Securities and Exchange Commission (the **“Commission”**); and

(5) the Holder (i) has received all information the Holder has requested from the Company and considers necessary or appropriate for deciding whether to acquire this Warrant and the Warrant Shares, (ii) has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of this Warrant and the Warrant Shares and to obtain any additional information necessary to verify the accuracy of the information given to the Holder, and (iii) has such knowledge and experience in financial and business matters such that the Holder is capable of evaluating the merits and risks of the investment in this Warrant and the Warrant Shares.

10. Market Stand-Off Agreement. The Holder hereby agrees that, during the period of duration specified by the Company and an underwriter of Common Stock or other securities of the Company, following the effective date of a registration statement of the Company filed under the Act, he shall not, to the extent requested by the Company and such underwriter, directly or indirectly sell, offer to sell, contract to sell (including, without limitation, any short sale), grant any option to purchase or otherwise transfer or dispose of (other than to donees who agree to be similarly bound) any securities of the Company held by it at any time during such period except Common Stock included in such registration; provided, however, that:

(1) Such agreement shall not exceed 180 days for the first such registration statement of the Company which covers Common Stock (or other securities) to be sold on its behalf to the public in an underwritten offering;

(2) Such agreement shall not exceed ninety (90) days for any subsequent registration statement of the Company which covers Common Stock (or other securities) to be sold on its behalf to the public in an underwritten offering; and

(3) All directors and officers of the Company as well as all holders of one percent (1%) or more of the Company's outstanding capital stock are similarly bound.

In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to securities held by the Holder (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period.

11. Miscellaneous.

11.1 Transfer of Warrant. This Warrant shall not be transferable or assignable by the Holder without the express written consent of the Company.

11.2 Notices. Any notice required or permitted under this Warrant shall be in writing and shall be hand delivered, sent by facsimile or other electronic medium, by registered or certified mail, postage prepaid, or by nationally recognized overnight carrier to the Company

or to the Holder at the address set forth below on the signature page to this Warrant or to such other address as may be furnished in writing to the other party hereto. Such notice shall be deemed effectively given (i) if hand delivered, upon delivery, (ii) if sent by facsimile or other electronic medium, when confirmed, if sent during the normal business hours of the recipient (if not sent during the normal business hours of the recipient, then on the next business day), (iii) if sent by mail, five days after having been sent, or (iv) if sent by nationally recognized overnight courier, one day after deposit with such courier.

11.3 Attorneys' Fees. If any action at law or in equity is necessary to enforce or interpret the terms of this Warrant, the prevailing party shall be entitled to reasonable attorneys' fees, costs and disbursements in addition to any other relief to which such party may be entitled.

11.4 Amendments and Waivers. Any term of this Warrant may be amended and the observance of any other term of this Warrant may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Holder.

11.5 Severability. If one or more provisions of this Warrant are held to be unenforceable under applicable law, such provision shall be excluded from this Warrant and the balance of the Warrant shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

11.6 Governing Law. This Warrant shall be governed by and construed and enforced in accordance with the laws of the State of California as applied to agreements among California residents entered into and to be performed entirely within California.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned have caused this Warrant to be executed by its officers thereunto duly authorized.

COMPANY: DIGIRAD CORPORATION

By: _____
David M. Sheehan
President and Chief Executive Officer

HOLDER: _____

[COUNTERPART SIGNATURE PAGE TO WARRANT TO PURCHASE COMMON STOCK OF DIGIRAD CORPORATION]

SCHEDULE 1

FORM OF SUBSCRIPTION

(To be signed only on exercise of Warrant)

To: Digirad Corporation

The undersigned, the holder of the Warrant attached hereto, hereby irrevocably elects to exercise the purchase rights represented by such Warrant for, and to purchase thereunder, * shares of common stock of Digirad Corporation, and herewith makes payment of $ therefor, and requests

that the certificates for such shares be issued in the name of, and delivered to , whose address is .

(Signature must conform in all respects to name of the Holder as specified on the face of the Warrant)

(Print Name)

(Address)

Dated: _____

* Insert here the number of shares as to which the Warrant is being exercised.

SCHEDULE OF INVESTORS

WARRANTHOLDER

Stephen A. McAdams

John C. Whitham

EXHIBIT 10.33

*** CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT (INDICATED BY ASTERISKS) HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT UNDER 17 C.F.R. SECTIONS 200.80(B)(4), 200.83 AND 230.406.

THIS WARRANT AND THE COMMON STOCK ISSUABLE UPON THE EXERCISE HEREOF (COLLECTIVELY, THE "SECURITIES") HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT UNDER THE ACT WITH RESPECT TO THE SECURITIES OR DELIVERY TO THE COMPANY OF AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY THAT SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS IN COMPLIANCE WITH THE ACT OR UNLESS SOLD IN FULL COMPLIANCE WITH RULE 144 UNDER THE ACT.

WARRANT TO PURCHASE COMMON STOCK

OF

DIGIRAD CORPORATION

MWC - Date of Issuance – November 13, 2002

Void after November 13, 2007

Digirad Corporation, a Delaware corporation (the **"Company"**), hereby certifies that, for value received (including any successors and assigns, the **"Holder"**), is entitled, subject to the terms set forth below, to purchase from the Company at any time or from time to time, before 5:00 PM, Pacific time on November 13, 2007 (the **"Expiration Date"**) up to that number of fully paid and nonassessable shares of Common Stock of the Company (**"Common Stock"**) as is determined pursuant to Section 2.2 (the "**Warrant Shares**"), subject to adjustment as provided herein; provided, however, that notwithstanding any other term of this Warrant, in no event shall this Warrant be exercisable for more than *** Warrant Shares. The purchase price per share of such Common Stock upon exercise of this Warrant shall be $ *** (the "**Exercise Price**"), subject to adjustment as provided herein. This Warrant is issued to the Holder in connection with and subject to the terms and conditions of that certain Consulting Agreement dated November 13, 2002, by and between the Company and McAdams and Whitham Consulting, LLC (the **"Consulting Agreement"**).

1. Exercise Period. Subject to Section 2.4 herein, this Warrant may be exercised by the Holder at any time or from time to time after the Date of Issuance noted above but before 5:00 PM, Pacific time on the Expiration Date (the **"Exercise Period"**) for up to that number of Warrant Shares as is determined pursuant to Section 2.2 below (the "**Vested Warrant Shares**").

2. Exercise of Warrant; Number of Warrant Shares; Termination.

2.1 Exercise of Warrant; Partial Exercise. This Warrant may be exercised in full or in part by the Holder with respect to any or all of the Vested Warrant Shares by surrender

*** Portions of this page have been omitted pursuant to a request for Confidential Treatment and filed separately with the commission.

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of this Warrant, together with the form of subscription attached hereto as Schedule 1, duly executed by the Holder, to the Company at its principal office, accompanied by payment, in cash or by certified or official bank check payable to the order of the Company, of the aggregate Exercise Price for the Vested Warrant Shares to be purchased hereunder. For any partial exercise hereof, the Holder shall designate in a notice of exercise or net issue election notice that number of shares of Common Stock that he wishes to purchase. On any such partial exercise, the Company at its expense shall forthwith issue and deliver to the Holder a new warrant of like tenor, in the name of the Holder, which shall be exercisable for such number of shares of Common Stock represented by this Warrant which have not been purchased upon such exercise.

2.2 Number of Vested Warrant Shares. Subject to adjustment as hereinafter provided, this Warrant shall be exercisable by the Holder for an increasing number of Warrant Shares (up to an aggregate maximum of *** shares of Common Stock) pursuant to the following schedule:

(1) On *** , this Warrant shall become exercisable for up to an aggregate of *** Warrant Shares, provided that the Holder has remained "in service to the Company" (as defined below) as of such date; and

(2) On *** , this Warrant shall become exercisable for up to an aggregate of *** Warrant Shares, provided that the Holder has remained in service to the Company as of such date.

For purposes of this Section 2.2, the Holder shall be deemed to be "in service to the Company" as of a particular date so long as the Consulting Agreement has not been terminated and remains in full force and effect as of such date.

2.3 Acceleration of the Warrant Shares Upon a Corporate Transaction. Immediately prior to the occurrence of a Corporate Transaction (as hereinafter defined), this Warrant shall become exercisable in full by the Holder for *** Warrant Shares. For the purposes of this Warrant, a "Corporate Transaction" shall mean: (i) a merger or consolidation in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such transaction; or (ii) the sale, transfer or other disposition of all or substantially all of the Company's assets in complete liquidation or dissolution of the Company.

2.4 Termination of the Warrant Upon a Corporate Transaction. Immediately following the occurrence of a Corporate Transaction, this Warrant shall terminate and cease to be outstanding, provided that written notice has been given to the Holder at least 20 days prior to the occurrence of the Corporate Transaction.

3. Net Issuance.

3.1 Right to Convert. Subject to Section 2.2, the Holder shall have the right to convert this Warrant or any portion thereof (the **"Conversion Right"**) into shares of Common Stock as provided in this Section 3 at any time or from time to time during the Exercise Period. Upon exercise of the Conversion Right with respect to a particular number of Vested Warrant

*** Portions of this page have been omitted pursuant to a request for Confidential Treatment and filed separately with the commission.

Shares (the **"Converted Warrant Shares"**), the Company shall deliver to the Holder (without payment by the Holder of any exercise price or any cash or other consideration) that number of shares of fully paid and nonassessable shares of Common Stock computed using the following formula:

$$X = \frac{Y (A - B)}{A}$$

Where X = the number of shares of Common Stock to be delivered to the Holder

Y = the number of Converted Warrant Shares

A = the fair market value of one share of the Company's Common Stock on the Conversion Date (as defined below)

B = the Exercise Price (as adjusted through the Conversion Date)

The Conversion Right may only be exercised with respect to a whole number of Vested Warrant Shares. No fractional shares shall be issuable upon exercise of the Conversion Right, and if the number of shares to be issued determined in accordance with the foregoing formula is other than a whole number, the Company shall pay to the Holder an amount in cash equal to the fair market value of the resulting fractional share on the Conversion Date (as defined below). Shares issued pursuant to the Conversion Right shall be treated as if they were issued upon the exercise of this Warrant.

3.2 Method of Exercise. The Conversion Right may be exercised by the Holder by the surrender of this Warrant at the principal office of the Company together with a written statement specifying that the Holder thereby intends to exercise the Conversion Right and indicating the total number of shares under this Warrant that the Holder is exercising through the Conversion Right. Such conversion shall be effective upon receipt by the Company of this Warrant together with the aforesaid written statement, or on such later date as is specified therein (the **"Conversion Date"**) and at such time the person in whose name any certificate for shares of Common Stock shall be issuable upon such exercise shall be deemed to be the record holder of such Common Stock for all purposes. Certificates for the shares issuable upon exercise of the Conversion Right and, if applicable, a new warrant evidencing the balance of the shares remaining subject to the Warrant, shall be issued as of the Conversion Date and shall be delivered to the Holder promptly following the Conversion Date.

3.3 Determination of Fair Market Value. For purposes of this Section 3, fair market value of a share of Common Stock on the Conversion Date shall mean:

(1) If traded on a stock exchange, the fair market value of the Common Stock shall be deemed to be the average of the closing selling prices of the Common Stock on the stock exchange determined by the Board of Directors of the Company (the **"Board"**) to be the primary market for the Common Stock over the ten (10) trading day period (or such shorter period immediately following the closing of the Company's initial public offering) ending on the date prior to the Conversion Date, as such prices are officially quoted in the composite tape of transactions on such exchange;

(2) If traded over-the-counter, the fair market value of the Common Stock shall be deemed to be the average of the closing bid prices (or, if such information is available, the closing selling prices) of the Common Stock over the ten (10) trading day period (or such shorter period immediately following the closing of the Company's initial public offering) ending on the date prior to the Conversion Date, as such prices are reported by the National Association of Securities Dealers through its NASDAQ system or any successor system; and

(3) If there is no public market for the Common Stock, the fair market value of the Common Stock shall be determined in good faith by the Board.

4. When Exercise Effective. The exercise of this Warrant pursuant to Section 2 shall be deemed to have been effected immediately prior to the close of business on the business day on which this Warrant is surrendered to the Company as provided in Section 2.1, or on such later date as is specified in the form of subscription, and at such time the person in whose name any certificate for shares of Common Stock shall be issuable upon such exercise, as provided in Section 5, shall be deemed to be the record holder of such Common Stock for all purposes.

5. Delivery on Exercise. As soon as practicable after the exercise of this Warrant in full or in part pursuant to Section 2, the Company at its expense (including the payment by it of any applicable issue taxes) will cause to be issued in the name of and delivered to the Holder, or as the Holder may direct, a certificate or certificates for the number of fully paid and nonassessable full shares of Common Stock to which the Holder shall be entitled on such exercise, together with cash, in lieu of any fraction of a share, equal to such fraction of the current market value of one full share of Common Stock as determined pursuant to Section 3.3.

6. Adjustments. The number and kind of shares of Common Stock (or any shares of stock or other securities which may be) issuable upon the exercise of this Warrant and the Exercise Price shall be subject to adjustment from time to time upon the happening of certain events, as follows:

6.1 Dividends, Distributions, Stock Splits or Combinations. If the Company shall at any time or from time to time after the date hereof (a) make or issue, or fix a record date for the determination of holders of Common Stock (or any shares of stock or other securities which may be issuable upon the exercise of this Warrant) entitled to receive, a dividend or other distribution payable in additional shares of common or preferred stock (as the case may be), (b) subdivide its outstanding shares of Common Stock (or any shares of stock or other securities which may be issuable upon the exercise of this Warrant) into a larger number of shares of Common Stock (or any shares of stock or other securities which may be issuable upon the exercise of this Warrant) or (c) combine its outstanding shares of Common Stock (or any shares of stock or other securities which may be issuable upon the exercise of this Warrant) into a smaller number of shares of Common Stock (or any shares of stock or other securities which may be issuable upon the exercise of this Warrant), then and in each such event the Exercise Price then in effect and the number of shares issuable upon exercise of this Warrant shall be appropriately adjusted.

6.2 Reclassification or Reorganization. If the Common Stock (or any shares of stock or other securities which may be) issuable upon the exercise of this Warrant shall be changed into the same or different number of shares of any class or classes of stock, whether by capital reorganization, reclassification or otherwise (other than a subdivision or combination of shares or stock dividend provided for in Section 6.1 above, or pursuant to a Corporate Transaction), then and in each such event the Holder shall be entitled to receive upon the exercise of this Warrant the kind and amount of shares of stock and other securities and property receivable upon such reorganization, reclassification or other change to which a holder of the number of shares of Common Stock (or any shares of stock or other securities which may be) issuable upon the exercise of this Warrant would have received if this Warrant had been exercised immediately prior to such reorganization, reclassification or other change, all subject to further adjustment as provided herein.

6.3 Notice of Adjustments and Record Dates. The Company shall promptly notify the Holder in writing of each adjustment or readjustment of the Exercise Price and the number of shares of Common Stock (or any shares of stock or other securities which may be) issuable upon the exercise of this Warrant. Such notice shall state the adjustment or readjustment and show in reasonable detail the facts on which that adjustment or readjustment is based. In the event of any taking by the Company of a record of the holders of Common Stock (or any shares of stock or other securities which may be issuable upon the exercise of this Warrant) for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution, the Company shall notify Holder in writing of such record date at least twenty (20) days prior to the date specified therein.

6.4 When Adjustments To Be Made. No adjustment in the Exercise Price shall be required by this Section 6 if such adjustment either by itself or with other adjustments not previously made would require an increase or decrease of less than one percent (1%) in such price. Any adjustment representing a change of less than such minimum amount which is postponed shall be carried forward and made as soon as such adjustment, together with other adjustments required by this Section 6 and not previously made, would result in a minimum adjustment. Notwithstanding the foregoing, any adjustment carried forward shall be made no later than ten (10) business days prior to the Expiration Date. All calculations under this Section 6.4 shall be made to the nearest cent. For the purpose of any adjustment, any specified event shall be deemed to have occurred at the close of business on the date of its occurrence.

6.5 Certain Other Events. If any change in the outstanding Common Stock (or any shares of stock or other securities which may be issuable upon the exercise of this Warrant) or any other event occurs as to which the other provisions of this Section 6 are not strictly applicable or if strictly applicable would not fairly protect the purchase rights of the Holder of the Warrant in accordance with such provisions, then the Board shall make an adjustment in the number and class of shares available under this Warrant, the Exercise Price or the application of such provisions, so as to protect such purchase rights as aforesaid. The adjustment shall be such as will give the Holder, upon exercise of this Warrant, the same aggregate Exercise Price and the same total number, class and kind of shares as the Holder would have owned had this Warrant been exercised prior to the event and had the Holder continued to hold such shares until after the event requiring adjustment.

7. Replacement of Warrants. On receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of any such loss, theft or destruction of this Warrant, on delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company or, in the case of any such mutilation, on surrender and cancellation of such Warrant, the Company at its expense will execute and deliver to the Holder, in lieu thereof, a new warrant of like tenor.

8. No Rights or Liability as a Stockholder. This Warrant does not entitle the Holder hereof to any voting rights or other rights as a stockholder of the Company. No provisions hereof, in the absence of affirmative action by the Holder to purchase Common Stock, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder as a stockholder of the Company.

9. Representations of Holder.

The Holder hereby represents, covenants and acknowledges to the Company that:

(1) this Warrant and the Warrant Shares are “restricted securities” as such term is used in the rules and regulations under the Securities Act of 1933, as amended (the **“Act”**) and that this Warrant and the Warrant Shares have not been registered under the Act and the Company has no present intention of registering the Securities under the Act or any state securities law, and that this Warrant and the Warrant Shares must be held indefinitely unless a transfer can be made pursuant to appropriate exemptions;

(2) the Holder has read, and fully understands, the terms of this Warrant set forth on its face and the attachments hereto, including the restrictions on transfer contained herein;

(3) the Holder is purchasing for investment for his own account and not with a view to or for sale in connection with any distribution of this Warrant or the Warrant Shares and he has no intention of selling such securities in a public distribution in violation of the federal securities laws or any applicable state securities laws;

(4) the Holder is an "accredited investor" within the meaning of paragraph (a) of Rule 501 of Regulation D promulgated by the Securities and Exchange Commission (the **"Commission"**); and

(5) the Holder (i) has received all information the Holder has requested from the Company and considers necessary or appropriate for deciding whether to acquire this Warrant and the Warrant Shares, (ii) has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of this Warrant and the Warrant Shares and to obtain any additional information necessary to verify the accuracy of the information given to the Holder, and (iii) has such knowledge and experience in financial and business matters such that the Holder is capable of evaluating the merits and risks of the investment in this Warrant and the Warrant Shares.

10. Market Stand-Off Agreement. The Holder hereby agrees that, during the period of duration specified by the Company and an underwriter of Common Stock or other securities

of the Company, following the effective date of a registration statement of the Company filed under the Act, he shall not, to the extent requested by the Company and such underwriter, directly or indirectly sell, offer to sell, contract to sell (including, without limitation, any short sale), grant any option to purchase or otherwise transfer or dispose of (other than to donees who agree to be similarly bound) any securities of the Company held by him at any time during such period except Common Stock included in such registration; provided, however, that:

(1) Such agreement shall not exceed 180 days for the first such registration statement of the Company which covers Common Stock (or other securities) to be sold on its behalf to the public in an underwritten offering;

(2) Such agreement shall not exceed ninety (90) days for any subsequent registration statement of the Company which covers Common Stock (or other securities) to be sold on its behalf to the public in an underwritten offering; and

(3) All directors and officers of the Company as well as all holders of one percent (1%) or more of the Company's outstanding capital stock are similarly bound.

In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to securities held by the Holder (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period.

11. Miscellaneous.

11.1 Transfer of Warrant. This Warrant shall not be transferable or assignable by the Holder without the express written consent of the Company.

11.2 Notices. Any notice required or permitted under this Warrant shall be in writing and shall be hand delivered, sent by facsimile or other electronic medium, by registered or certified mail, postage prepaid, or by nationally recognized overnight carrier to the Company or to the Holder at the address set forth below on the signature page to this Warrant or to such other address as may be furnished in writing to the other party hereto. Such notice shall be deemed effectively given (i) if hand delivered, upon delivery, (ii) if sent by facsimile or other electronic medium, when confirmed, if sent during the normal business hours of the recipient (if not sent during the normal business hours of the recipient, then on the next business day), (iii) if sent by mail, five days after having been sent, or (iv) if sent by nationally recognized overnight courier, one day after deposit with such courier.

11.3 Attorneys' Fees. If any action at law or in equity is necessary to enforce or interpret the terms of this Warrant, the prevailing party shall be entitled to reasonable attorneys' fees, costs and disbursements in addition to any other relief to which such party may be entitled.

11.4 Amendments and Waivers. Any term of this Warrant may be amended and the observance of any other term of this Warrant may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Holder.

11.5 Severability. If one or more provisions of this Warrant are held to be unenforceable under applicable law, such provision shall be excluded from this Warrant and the balance of the Warrant shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

11.6 Governing Law. This Warrant shall be governed by and construed and enforced in accordance with the laws of the State of California as applied to agreements among California residents entered into and to be performed entirely within California.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned have caused this Warrant to be executed by its officers thereunto duly authorized.

COMPANY: DIGIRAD CORPORATION

By: _____
David M. Sheehan

President and Chief Executive Officer

HOLDER: _____

[COUNTERPART SIGNATURE PAGE TO WARRANT TO PURCHASE COMMON STOCK OF DIGIRAD CORPORATION]

SCHEDULE 1

FORM OF SUBSCRIPTION

(To be signed only on exercise of Warrant)

To: Digirad Corporation

The undersigned, the holder of the Warrant attached hereto, hereby irrevocably elects to exercise the purchase rights represented by such Warrant for, and to purchase thereunder, * shares of common stock of Digirad Corporation, and herewith makes payment of $ therefor, and requests that the certificates for such shares be issued in the name of, and delivered to , whose address is .

_____
(Signature must conform in all respects to name of the Holder as specified on the face of the Warrant)

_____
(Print Name)

_____
(Address)

Dated: _____

* Insert here the number of shares as to which the Warrant is being exercised.

[SCHEDULE 1]

SCHEDULE OF INVESTORS

WARRANTHOLDER

Stephen A. McAdams

John C. Whitham

[SCHEDULE OF INVESTORS]
