

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934
or Section 30(h) of the Investment Company Act of 1940

| OMB APPROVAL | |
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| OMB Number: | 3235-0287 |
| Estimated average burden hours per response: | 0.5 |

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| 1. Name and Address of Reporting Person* <u>Reed Douglas MD</u> | 2. Issuer Name and Ticker or Trading Symbol <u>DIGIRAD CORP [DRAD]</u> | 5. Relationship of Reporting Person(s) to Issuer (Check all applicable) <input checked="" type="checkbox"/> Director 10% Owner <input type="checkbox"/> Officer (give title below) Other (specify below) |
| (Last) (First) (Middle) <u>C/O VECTOR FUND MANAGEMENT</u> <u>1751 LAKE COOK ROAD, SUITE 350</u> | 3. Date of Earliest Transaction (Month/Day/Year) <u>02/24/2006</u> | |
| (Street) <u>DEERFIELD IL 60015</u> | 4. If Amendment, Date of Original Filed (Month/Day/Year) | 6. Individual or Joint/Group Filing (Check Applicable Line) <input checked="" type="checkbox"/> Form filed by One Reporting Person <input type="checkbox"/> Form filed by More than One Reporting Person |
| (City) (State) (Zip) | | |

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | | 4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|------------|----------|---|--|---|
| | | | Code | V | Amount | (A) or (D) | Price | | | |
| Common Stock | 02/24/2006 | | D | | 10,000 | D | \$3.9502 | 2,137,068 | I | By Vector Later-Stage Equity Fund, L.P. and affiliated funds, and Palivaccini Partners, LLC ⁽¹⁾⁽²⁾ |
| Common Stock | 02/27/2006 | | D | | 13,200 | D | \$3.97 | 2,123,868 | I | By Vector Later-Stage Equity Fund, L.P. and affiliated funds, and Palivaccini Partners, LLC ⁽¹⁾⁽²⁾ |
| Common Stock | 02/28/2006 | | D | | 4,800 | D | \$4 | 2,119,068 | I | By Vector Later-Stage Equity Fund, L.P. and affiliated funds, and Palivaccini Partners, LLC ⁽¹⁾⁽²⁾ |

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4) | 8. Price of Derivative Security (Instr. 5) | 9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4) | 10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 11. Nature of Indirect Beneficial Ownership (Instr. 4) |
|--|--|--------------------------------------|--|--------------------------------|--|--|---|--|--|---|--|
| | | | | | | | | | | | |

| Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities) | | | | | | | | | | | | | |
|--|-------------------------------|--------------------------------------|--|-------------------|--|-----------------------------------|----------------------------------|---|--|--|---|---|--|
| 1. Title of Derivative (Instr. 3) | 2. Conversion Date (Instr. 3) | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | Code V (Instr. 8) | 6A. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | Date Exercisable (Month/Day/Year) | Expiration Date (Month/Day/Year) | Title and Amount of Underlying Derivative Security (Instr. 3 and 4) | 8. Price of Derivative Security (Instr. 5) | 9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4) | 10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 11. Nature of Indirect Ownership (Instr. 4) | |
| <p>1. Reporting Person is a managing director of Vector Fund Management, L.P., which is the general partner of Vector Later-Stage Equity Fund II, L.P. and Vector Fund Management II, L.P., which is the general partner of each of Vector Later-Stage Equity Fund II, L.P. and Vector Later-Stage Equity Fund II (Q.P.), L.P. and is a managing member of Palivacinni Partners, LLC. Reporting Person disclaims beneficial ownership of the shares held by Vector Later-Stage Equity Fund, L.P., Vector Later-Stage Equity Fund II, L.P. and Vector Later-Stage Equity Fund II (Q.P.), L.P., except to the extent of his pecuniary interests in the named fund. Reporting Person may be deemed to share voting and investment power with respect to the shares held by Vector Later-Stage Equity Fund, L.P., Vector Later-Stage Equity Fund II, L.P. and Vector Later-Stage Equity Fund II (Q.P.), L.P. with the other managing director of Vector Fund Management, L.P. and Vector Fund Management II, LLC.</p> <p>2. Reporting Person disclaims beneficial ownership of the shares held by Palivacinni Partners, LLC, except to the extent of his pecuniary interests in the entity. Reporting Person may be deemed to have voting and investment power with respect to the shares held by Palivacinni Partners, LLC with the other managing members.</p> | | | | | | | | | | | | | |
| <p><u>Douglas Reed</u></p> <p>** Signature of Reporting Person</p> | | | | | | | | | <p><u>02/28/2006</u></p> <p>Date</p> | | | | |
| Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly. | | | | | | | | | | | | | |
| * If the form is filed by more than one reporting person, see Instruction 4 (b)(v). | | | | | | | | | | | | | |
| ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a). | | | | | | | | | | | | | |
| Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instructions for procedure. | | | | | | | | | | | | | |
| Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number. | | | | | | | | | | | | | |