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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No. )

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement
- ☐ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- ☐ Definitive Proxy Statement
- ☒ Definitive Additional Materials
- ☐ Soliciting Material Pursuant to §240.14a-12

**DIGIRAD CORPORATION**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- ☒ No fee required.
- ☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - 1) Title of each class of securities to which transaction applies:
  - 2) Aggregate number of securities to which transaction applies:
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  - 4) Proposed maximum aggregate value of transaction:
  - 5) Total fee paid:

- ☐ Fee paid previously with preliminary materials.
  - ☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
    - 1) Amount Previously Paid:
    - 2) Form, Schedule or Registration Statement No.:
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    - 4) Date Filed:
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# DIGIRAD®

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***MOVING FORWARD***

**March 2013**

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## FORWARD-LOOKING STATEMENTS

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**“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995:** The presentation and information contained herein present “forward-looking statements” addressing expectations, prospects, estimates and other matters that are dependent upon future events or developments. The matters discussed in these forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied. The most significant of these uncertainties are described in Digirad’s Form 10-K, Form 10-Q and Form 8-K reports (including all amendments to those reports) and exhibits to those reports, and include (but are not limited to) the following: statements about the Company’s revenues, expenses, margins, cash flow from operations, personnel and equipment leasing services, centers of influence strategy and benefits, market conditions and trends, health care dynamics, demand for imaging leasing services and products, imaging modality trends, competitive advantages, utilization, cost control, financial results, restructuring efforts, the positive impact of corporate governance changes, and ability to increase revenue and cash flow on a go-forward basis. This presentation reflects management’s views as of date presented. Except to the limited extent required by applicable law, Digirad undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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1. **Restructuring the Business:** What it means
2. **Management Changes:** The right team to drive cash flow and shareholder value
3. **Board Changes:** Highly qualified and Independent
4. **New Corporate Governance:** Ensuring accountability
5. **Appendix:** Business overview



## RESTRUCTURING THE BUSINESS

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### **Digirad Imaging Solutions**

- New strategic focus; it is all about cash flow:
  - ✓ Focus on Digirad Imaging Solutions (DIS) cash flow generation
  - ✓ Execute financially disciplined acquisitions via attractive returns and fast payback; committed to only acquisitions that make financial sense

### **Diagnostic Imaging**

- Significant restructuring of the Diagnostic Imaging business to reduce costs
  - ✓ Estimated elimination of \$3 million to \$4 million of costs
  - ✓ Focus on cash flow generation, primarily from customer service business associated with the installed base of cameras
  - ✓ Will continue to sell cameras, but at a slower pace
  - ✓ Main goal is to eliminate investment in less productive assets

### **Corporate Headquarters Move to Atlanta**

- Certain functions will move to further reduce costs and reduce overhead

### **Increase Value to the Shareholder**

- Shareholder value will be increased by:
  - Reducing costs as we restructure / focusing on cash flow
  - + Acquiring financially disciplined, cash generating businesses
  - + Share repurchases
  - = Shareholder Value
- Goal is to ultimately generate \$3 million to \$4 million annually of consolidated cash flow

### **Return of Value to the Shareholders**

- \$27.2 million of cash and securities at December 31, 2012
- Announced increase to the Digirad share buyback program: increased from \$4 million (\$2 million available) to \$12 million (\$10 million available)
- Cash on hand + cash we will generate + buy back program = Aggressive return to shareholders
- Commitment to returning value to shareholders further solidified by Company announcement of 10b5-1 buyback plan implemented on March 15, 2013



## MANAGEMENT CHANGES

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## MANAGEMENT CHANGES: THE RIGHT TEAM TO DRIVE SHAREHOLDER VALUE

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- Management team is being right-sized based on our healthcare services focus; flatten and optimize the organization for those with specific healthcare services experience
- Todd Clyde will step down after a transition period
- Several other management positions are being eliminated to make the organization lean and nimble

### **Matt Molchan**, President, Digirad

- More than 10 years experience in mobile imaging
- Digirad employee for over 6 years

### **Jeff Keyes**, Chief Financial Officer

- History of high growth medical technology companies, including experience in spin-offs, IPOs, and start-up environments
- Experienced in rapid change and restructuring management

### **Virgil Lott**, President, Diagnostic Imaging

- 25 years experience in medical imaging and operations
- Digirad employee for over 7 years



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## BOARD CHANGES

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**Our newly constituted Board includes seasoned executives with a vast array of experience. Your Board is listening and has been very responsive, making a number of changes based on discussions with shareholders**

- Board size has been reduced from 8 members to 6 members – more nimble and cost efficient
- 4 non-employee directors introduced in past 12 months
- 4 new directors were directly nominated by our top shareholders and regularly talk to our shareholders
- All 5 directors standing for re-election are independent; going forward, the Board will be comprised of 5 non-employee independent directors, plus the CEO
- Board collectively has significant ownership in the Company
- Board created a Strategic Committee, focused on eliminating operations/investments that do not generate near-term cash and shareholder return

**Your Board is committed to creating value and returning that value to you**

**Jeffrey E. Eberwein** – *Chairman, Director since 2012*

Founder and Chief Executive Officer of Lone Star Value Investors, LLC

- **Over 20 years of Wall Street experience**
- **Board experience with a variety companies**
- **Specific experience in mergers & acquisitions as well as proper NOL utilization**

We believe that Mr. Eberwein brings significant experience in investing and financial management to our board of directors. Throughout his career, Mr. Eberwein has developed a network of contacts in the investor community, and we believe that Mr. Eberwein will be able to leverage these contacts during his time on the board of directors to increase investor interest in our company. Our board of directors also believes that Mr. Eberwein's leadership ability and commitment to excellence make him well-suited to serve as Chairman.

### **John M. Climaco** – *Director since 2012*

President, Chief Executive Officer and Director, Axial Biotech, Inc.

- **Extensive executive experience with healthcare services**
- **Track record of raising capital and strategic alliances**

We believe that Mr. Climaco brings to our board of directors significant executive experience with a healthcare services company, including in raising capital, engineering strategic alliances, building executive teams and managing complex business operations and legal strategies.

### **Charles M. Gillman** – *Director since 2012*

Portfolio Manager, Nadel and Gussman, LLC

- **Extensive experience with strategic capital allocation and consulting**
- **Board experience with a variety of companies**

We believe that Mr. Gillman brings significant experience as a successful portfolio manager to our board of directors. This experience allows him to offer unique insight into our operations and the competitive challenges that we face. Mr. Gillman has also served with distinction on the board of directors of another public company.

### **James B. Hawkins** - *Director since 2012*

President, Chief Executive Officer and Director, Natus Medical Incorporated

- **Over 20 years of experience running medical device companies**
- **Completed over 20 acquisitions in his career**

We believe that Mr. Hawkins' extensive experience in the medical device industry is of significant value to our board of directors. In particular, Mr. Hawkins has over two decades of experience as a chief executive officer of medical device companies, which allows him to provide invaluable insight and direction to our management.

### **John W. Sayward** – *Director since 2008*

Retired Partner, Nippon Heart Hospital LLC

- **Over 15 years experience serving as CFO of medical device and pharmaceutical companies**
- **Vast experience in financial discipline and financial oversight**

We believe that Mr. Sayward is qualified to serve on our board of directors and as the board's financial expert and audit committee chairman due to the depth and breadth of his finance experience and leadership skills.






## NEW CORPORATE GOVERNANCE

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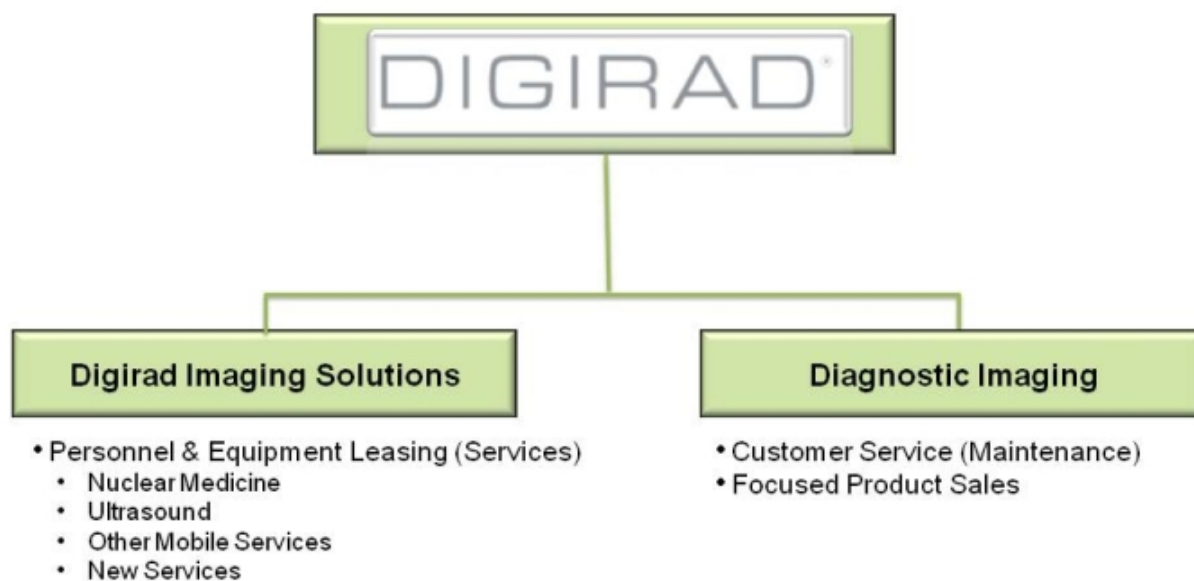
**Your Board is committed to continued enhancements to Corporate Governance and best practices. Since the beginning of 2012, we have instituted the following changes:**

- Established a CEO stock ownership policy that requires significant participation of the CEO, at 3 times annual base salary
- Adopted a resolution that all acquisitions in excess of \$5 million in purchase price require shareholder approval
- Amended our non-management director stock ownership policy in order to increase the amount of stock that each non-employee director must own to continue service to the Board
- Adopted a term limit policy of no more than 10 years
- Adopted a policy of an annual cap on stock equity awards to a maximum of 3% of the total equity outstanding



## APPENDIX: BUSINESS OVERVIEW

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**Delivers licensed staffing and imaging equipment to physicians with no burden and cost of full ownership**



**Personnel**



**Logistics**



**Equipment**

**Physician Issues**

- Diagnostic need
- Space constraints
- Capital requirements
- Complicated logistics
- Specialized personnel

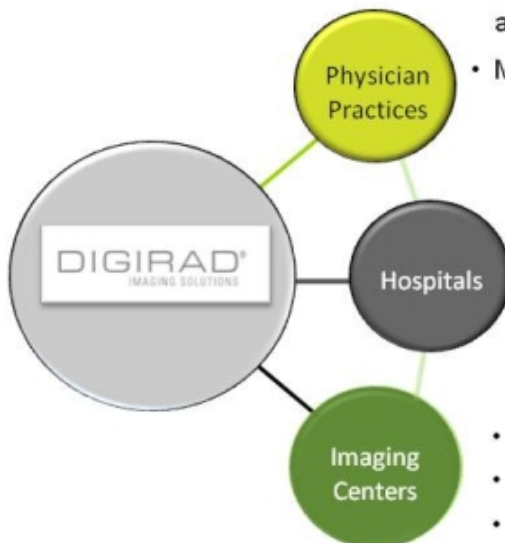


**Benefits to Physician/Healthcare System**

- Optimized availability – in-office, flexible and scalable
- Compact and patient friendly
- No up-front capital requirements
- Handling of all logistics, personnel and regulatory requirements
- Maintain control of patient/increased practice revenues

### Evolving regulation and economics are forcing structural change in Healthcare

- Increase revenue-generating patients
- Improve level of care
- Participating in integrated networks (ACOs, acquisitions)
- Multi-use exam room maximizes revenue



- Creating integrated networks (ACOs, acquisitions)
- Community outreach programs (referral patterns and managing lives)
- Turnkey imaging solution with staffing
- Changes referral patterns

- Turn key imaging solution with staffing
- Ability to meet excess demand
- Hospital acquisitions

### Expand Practice revenues and profits

- Cardiology practices
- Internists

### New revenue streams from channel

- New services; variety of other mobile-based services
- Accreditation consulting services



### Geographic optimization

### Tuck-in acquisitions

### Stabilizing reimbursement



### **The most profitable component of Diagnostic Imaging: Customer Service**

- Includes over 20 Field Service Engineers located throughout the United States
- Flexible and nimble to address customer needs
- Actively managed to increase margins and to enhance cash flows
- Serves a significant installed base of cameras

### **Camera unit sales**

- Continued intent to sell cameras into the market, but at a slower pace, and at a much higher cost optimized level

**Continued focus going forward to maximize cash flow from our installed based and increased efficiencies**



## Liquid, Strong Ratios, No Long-Term Debt; Well Positioned to Deploy our Strategy

	Dec 31 2012	Dec 31 2011	Dec 31 2010
(in millions, except per share)	(Audited)	(Audited)	(Audited)
Cash/Equivalents & Securities	\$ 27.2	\$ 30.5	\$ 30.2
Total Current Assets	\$ 39.4	\$ 44.0	\$ 44.1
Total Current Liabilities	\$ 8.2	\$ 8.4	\$ 8.1
Long-term Debt	--	--	--
Shareholders' Equity	\$ 36.4	\$ 41.5	\$ 44.0
Working Capital Ratio	4.8	5.2	5.4

## Managed well through volatile external market dynamics

	2012*	2011	2010
(in millions, except per share)	(Audited)	(Audited)	(Audited)
Revenues	\$ 50.5	\$ 53.7	\$ 56.2
Gross Profit	13.1	14.8	12.0
Operating Expenses	18.2	18.3	18.6
Operating Loss	(5.1)	(3.5)	(6.6)
Net Loss	(4.9)	(3.3)	(6.2)
Loss Per Share	(0.26)	(0.18)	(0.33)
Weighted Shares Outstanding	19.3	19.1	18.8

\* 2012 results include \$1.2 million of inventory reserve adjustments (included in gross profit) related to our February 28, 2013 restructuring announcement, and impact of \$0.4 million estimated settlement of radiopharmaceutical supply litigation (included in operating expenses).