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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)
January 30, 2018

DIGIRAD CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-35947
(Commission
File Number)

33-0145723
(IRS Employer
Identification No.)

1048 Industrial Court,
Suwanee, GA 30024
(Address of principal executive offices, including zip code)

(858) 726-1600
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

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

Item 1.01. Entry into a Material Definitive Agreement.

On February 1, 2018, DMS Heath Technologies, Inc. (“DMS”), an indirect wholly owned subsidiary of Digirad Corporation (“Digirad” or the “Company”) completed the previously announced sale of its customer contracts relating to its post-warranty service business to Philips North America LLC (“Philips”) pursuant to an Asset Purchase Agreement (the “Purchase Agreement”), dated as of December 22, 2017, by and between DMS and Philips (the “Transaction”). The post warranty service contracts sold to Philips in the Transaction encompass a portion of the Company’s Medical Device Sales and Service reportable segment as reported in the Company’s period filings on Forms 10-K and 10-Q.

On January 30, 2018, in connection with the closing of the Transaction, Digirad entered into Amendment No. 1 to Revolving Credit Agreement (the “Amendment”) with Comerica Bank, a Texas banking association (“Comerica”), amending the Revolving Credit Agreement, dated June 21, 2017, by and between the Company and Comerica (the “Credit Agreement”). The Amendment amends the Credit Agreement in order to, among other things, reduce the Revolving Commitment from \$25,000,000 to \$20,000,000 and modify the definition of “Adjusted EBITDA,” “FCCR Capital Expenditures” and “Revolving Credit Commitment”.

The foregoing summaries of the Purchase Agreement and Amendment are qualified in their entirety by reference to the text of the Purchase Agreement, which will be included as an exhibit to the Company’s Annual Report on Form 10-K for the year ended December 31, 2017, and the Amendment, which is filed as Exhibit 10.1 to this Current Report on Form 8-K and incorporated into this Item 1.01 by reference.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The description of the Amendment described above under Item 1.01 is incorporated into this Item 2.03 by reference. A copy of the Amendment is filed as Exhibit 10.1 to this Current Report on Form 8-K and is incorporated into this Item 2.03 by reference.

Item 2.06. Material Impairments

In connection with the closing of Transaction described above in Item 1.01, the management of the Company is conducting an impairment review under applicable accounting rules to determine whether, and to what extent, the closing of the Transaction creates any impairment to goodwill or other intangible assets.

Item 7.01. Regulation FD Disclosure

On February 2, 2018, the Company issued a press release relating to the Transaction. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and incorporated into this item 7.01 by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
<u>10.1</u>	Amendment No. 1 To Revolving Credit Agreement, dated January 30, 2018 by and between Digirad Corporation and Comerica Bank.
<u>99.1</u>	Press Release, dated February 2, 2018.

SIGNATURES

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

DIGIRAD CORPORATION

By: /s/ Jeffry R. Keyes

Jeffry R. Keyes

Chief Financial Officer

Date: February 2, 2018

EXHIBIT INDEX

Exhibit No.	Description
10.1	Amendment No. 1 To Revolving Credit Agreement, dated January 30, 2018 by and between Digirad Corporation and Comerica Bank.
99.1	Press Release, dated February 2, 2018.

AMENDMENT NO. 1 TO REVOLVING CREDIT AGREEMENT

This Amendment No. 1 to Revolving Credit Agreement (“Amendment”) dated January 30, 2018 (“Amendment No. 1 Effective Date”) is made between **Digirad Corporation**, a Delaware corporation (“Borrower”) and **Comerica Bank**, a Texas banking association (“Bank”).

Borrower and Bank entered into a Revolving Credit Agreement dated June 21, 2017 (“Credit Agreement”) providing terms and conditions governing certain loans and other credit accommodations extended by Bank to Borrower.

Borrower and Bank have agreed to amend the terms of the Credit Agreement as provided in this Amendment.

Accordingly, Borrower and Bank agree as follows:

1. Capitalized Terms. In this Amendment, capitalized terms that are used without separate definition shall have the meanings given to them in the Credit Agreement.
2. Amendments. The Credit Agreement is amended as follows:

- (a) The following terms, which are defined in the Credit Agreement, are given the following amended definitions:

“Adjusted EBITDA” shall mean, in respect of any applicable Person(s) and for any applicable period of determination, the sum (without duplication) of (i) the EBITDA of such Person(s) for such period; plus (ii) non-recurring costs and expenses and integration charges related to Permitted Acquisitions, in an aggregate amount up to three percent (3.0%) of the EBITDA of such Person(s) for such period; plus (iii) non-recurring costs and expenses related to Permitted Litigation, in an aggregate amount to be agreed upon between Bank and Borrower in writing for the period ending December 31, 2017; plus (iv) non-recurring fees, costs, and expenses incurred in connection with the consummation of the transactions contemplated by the Loan Documents, including but not limited to, non-cash debt extinguishment costs related to the termination of Borrower’s credit facility with Wells Fargo Bank, NA, (i.e., GAAP accounting impact of terminating debt and related costs under credit facility); plus (v) non-cash stock based compensation; plus (vi) non-cash gains or losses; plus (vii) one-time expenses for severance and relocation payments incurred in connection with the restructuring associated with the sale of DMS service contracts pursuant to that certain Asset Purchase Agreement dated December 22, 2017, between DMS Health Technologies, Inc. as seller and Philips North America LLC as buyer (the “Asset Sale”), provided, that the amount of such expenses added back for purposes of calculating Adjusted EBITDA shall be limited to \$750,000 during the term of this Agreement; plus (viii) other additions and adjustments acceptable to Bank in its sole discretion, all as determined in accordance with GAAP.

“FCCR Capital Expenditures” shall mean the greater of (a) Capital Expenditures made during such period, excluding that portion of Capitalized Leases that was not paid for in cash, or (b) \$2,800,000.

“Revolving Credit Commitment” shall mean Twenty Five Million Dollars (\$25,000,000), provided that upon the closing of the Asset Sale and the application of net proceeds therefrom (less any amount heldback in escrow), the Revolving Credit Commitment shall be Twenty Million Dollars (\$20,000,000).

(b) Exhibit B to the Credit Agreement (*Revolving Credit Note*) is amended entirely to be in the form of attached Amended Exhibit B.

3. Representations. Borrower represents and agrees that:

(a) Except as expressly modified in this Amendment, (i) the representations and warranties set forth in the Credit Agreement and in each of the Loan Documents remain true and correct in all respects, except to the extent that they expressly speak as of a specific prior date, and (ii) the covenants set forth in the Credit Agreement continue to be satisfied in all respects, and are legal, valid and binding obligations with the same force and effect as if entirely restated in this Amendment.

(b) When executed, this Amendment will be a duly authorized, legal, valid, and binding obligation of Borrower enforceable in accordance with its terms, and will not conflict with or violate any of Borrower's organization documents or any agreement, instrument, law, or order to which Borrower or any material portion of its assets is subject or bound.

(c) Except for events or conditions for which Bank is giving its waiver in this Amendment, there is no default continuing under the Credit Agreement, or any related document, agreement, or instrument, and no event has occurred or condition exists that is or, with the giving of notice or lapse of time or both, would be such a default.

4. Conditions Precedent. The effectiveness of this Amendment is subject to Bank's receipt of or Borrower's satisfaction of all of the following:

(a) this Amendment, the \$20,000,000 Revolving Credit Note, the Consent Letter and such other agreements and instruments reasonably requested by Bank pursuant hereto (including such documents as are necessary to create and perfect Bank's interest in the Collateral), each duly executed by Borrower and any other applicable party;

(b) execution and delivery by the Guarantors of the Acknowledgement and Consent of Guarantors as set forth below;

(c) payment of all of Bank's expenses incurred through the date of this Amendment together with the costs of recording any amendment required by this Amendment and upon Borrower's execution of this Amendment, Bank will be authorized to charge any deposit or other account of Borrower maintained with Bank for such expenses; and

(d) such other documents and completion of such other matters as Bank may reasonably deem necessary or appropriate.

5. No Other Changes. Except as specifically provided in this Amendment, it does not vary the terms and provisions of any the Loan Documents. This Amendment shall not impair the rights, remedies, and security given in and by the Loan Documents. The terms of this Amendment shall control any conflict between its terms and those of the Credit Agreement.

6. Ratification. Except for the modifications under this Amendment, the parties ratify and confirm the Credit Agreement and the Loan Documents and agree that they remain in full force and effect.

7. Further Modification; No Reliance. This Amendment may be altered or modified only by written instrument duly executed by Borrower and Bank. In executing this Amendment, Borrower is not relying

on any promise or commitment of Bank that is not in writing signed by Bank. This Amendment shall not be more strictly construed against any one of the parties as compared to any other.

8. Successors and Assigns. This Amendment shall inure to the benefit of and be binding upon the parties and their respective successors and assigns.

9. Governing Law. The parties agree that the terms and provisions of this Amendment shall be governed by and construed in accordance with the internal laws of the State of California, without regard to principles of conflicts of law.

10. Release and Waiver. Borrower waives, discharges, and forever releases Bank, Bank's employees, officers, directors, attorneys, stockholders, and their successors and assigns, from and of any and all claims, causes of action, allegations or assertions that Borrower has or may have had at any time up through and including the date of this Amendment, against any or all of the foregoing, regardless of whether any such claims, causes of action, allegations or assertions are known to Borrower or whether any such claims, causes of action, allegations or assertions arose as result of Bank's actions or omissions in connection with the Credit Agreement, any other Loan Document, any amendments, extensions or modifications thereto, or Bank's administration of the Indebtedness. It is further understood and agreed that any and all rights under the provisions of Section 1542 of the California Civil Code are expressly waived by Borrower. Section 1542 of the California Civil Code provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

11. Expenses. Borrower shall promptly pay all out-of-pocket fees, costs, charges, expenses, and disbursements of Bank incurred in connection with the preparation, execution, and delivery of this Amendment, and the other documents contemplated by this Amendment. Borrower hereby authorizes Bank to charge any deposit or other account of Borrower maintained with Bank for reimbursement of any such fees, costs, charges, expenses, and disbursements.

12. Counterparts. This Amendment may be executed in one or more counterparts, and by separate parties on separate counterparts, all of which shall constitute one and the same agreement.

[end of amendment – signature page follows]

This Amendment No. 1 to Revolving Credit Agreement is executed and delivered as of the Amendment No. 1 Effective Date.

Comerica Bank

By: /s/ Christopher Burden
Christopher Burden
Its: Portfolio Manager

Digirad Corporation

By: /s/ Jeffry R. Keyes
Jeffry R. Keyes
Its: Chief Financial Officer

Acknowledgement and Consent of Guarantor

The undersigned have guaranteed the payment and performance of the Indebtedness pursuant to the Guaranty dated June 21, 2017 ("Guaranty"). The undersigned (a) acknowledges and consents to the execution, delivery and performance of the foregoing Amendment No. 1 to Revolving Credit Agreement, and (b) agrees that (i) its guaranty remains in full force and effect and (ii) it has absolutely no defenses, claims, rights of set-off, or counterclaims against Bank under, arising out of, or in connection with, the foregoing Amendment No. 1 to Revolving Credit Agreement, the Revolving Credit Agreement, the Guaranty, or the other Loan Documents. The undersigned further represents that it is in compliance with all of the terms and conditions of the Guaranty.

Dated January 30, 2018

DIGIRAD IMAGING SOLUTIONS, INC.

By: /s/ Jeffry R. Keyes
Jeffry R. Keyes
Its: Chief Financial Officer

TELERHYTHMICS, LLC

By: /s/ Jeffry R. Keyes
Jeffry R. Keyes
Its: Chief Financial Officer

MD OFFICE SOLUTIONS

By: /s/ Jeffry R. Keyes
Jeffry R. Keyes
Its: President, Chief Executive Officer & Chief Financial Officer

PROJECT RENDEZVOUS HOLDING CORPORATION

By: /s/ Jeffry R. Keyes
Jeffry R. Keyes
Its: Chief Financial Officer

PROJECT RENDEZVOUS ACQUISITION CORPORATION

By: /s/ Jeffry R. Keyes
Jeffry R. Keyes
Its: Chief Financial Officer

DMS HEALTH TECHNOLOGIES, INC.

By: /s/ Jeffry R. Keyes
Jeffry R. Keyes
Its: Chief Financial Officer

DMS IMAGING, INC.

By: /s/ Jeffry R. Keyes
Jeffry R. Keyes
Its: Chief Financial Officer

DMS HEALTH TECHNOLOGIES-CANADA, INC.

By: /s/ Jeffry R. Keyes
Jeffry R. Keyes
Its: Chief Financial Officer

AMENDED EXHIBIT B
REVOLVING CREDIT NOTE

\$20,000,000.00

January 30, 2018

On or before the Revolving Credit Maturity Date, FOR VALUE RECEIVED, **Digirad Corporation**, a Delaware corporation ("Borrower"), promises to pay to the order of Comerica Bank ("Bank") at any office of the Bank in the State of California, in lawful money of the United States of America, so much of the sum of Twenty Million and 00/100 Dollars (\$20,000,000.00), as may from time to time have been advanced by Bank and then be outstanding hereunder pursuant to the Revolving Credit Agreement made as of the 21st day of June, 2017 (as amended, restated or otherwise modified from time to time, the "Credit Agreement"), by and between Bank and Borrower. Each of the Revolving Credit Advances made hereunder shall bear interest at the Applicable Interest Rate from time to time applicable thereto under the Credit Agreement or as otherwise determined thereunder, and interest shall be computed, assessed and payable on the unpaid principal amount of each Revolving Credit Advance made by the Bank from the date of such Revolving Credit Advance until paid at the rate and at the times set forth in the Credit Agreement.

This Note is a note under which Revolving Credit Advances (including refundings and conversions), repayments and readvances may be made from time to time, but only in accordance with the terms and conditions of the Credit Agreement. This Note evidences borrowings under, is subject to, is secured in accordance with, and may be accelerated or matured under, the terms of the Credit Agreement, to which reference is hereby made. Capitalized terms used herein, except as defined to the contrary, shall have the meanings given them in the Credit Agreement.

This Note shall be interpreted and the rights of the parties hereunder shall be determined under the laws of, and enforceable in, the State of California.

The Borrower hereby waives presentment for payment, demand, protest and notice of dishonor and nonpayment of this Note and agrees that no obligation hereunder shall be discharged by reason of any extension, indulgence, release, or forbearance granted by any holder of this Note to any party now or hereafter liable hereon or any present or subsequent owner of any property, real or personal, which is now or hereafter security for this Note.

This Note constitutes a restatement, replacement and substitution for, that certain Revolving Credit Note dated June 21, 2017 in the original principal amount of \$25,000,000.00, executed by the undersigned and made payable to the order of the Bank (the "Prior Note"). The indebtedness evidenced by the Prior Note is continuing indebtedness evidenced hereby, and nothing herein shall be deemed to constitute a payment, settlement or novation of the Prior Note, or to release or otherwise adversely affect any lien, mortgage or security interest securing such indebtedness or any rights of the Bank against any guarantor, surety, or other party primarily or secondarily liable for such indebtedness.

* * *

[SIGNATURES FOLLOW ON SUCCEEDING PAGE]

Nothing herein shall limit any right granted Bank by any other instrument or by law.

DIGIRAD CORPORATION

By: /s/ Jeffry R. Keyes

Its: Chief Financial Officer

News Release

For immediate release
February 2, 2018

For more information contact:

Jeff Keyes
Chief Financial Officer
858-726-1600
ir@digirad.com

Digirad Announces Closing of Sale of its MDSS Service Contracts

to Philips North America

Suwanee, GA. - February 2, 2018 - Digirad Corporation (Nasdaq: DRAD) today announced that it had closed its previously announced definitive purchase agreement with Philips North America (“Philips”) to sell its MDSS Service contracts for total consideration of \$8 million, less customary closing adjustments.

Digirad President and CEO Matt Molchan said, “We are pleased that we were able to conclude the closing of this transaction, and believe the business will be in good hands with Philips. Now that we are closed, we can move forward with focusing on our core business - providing mobile diagnostic healthcare solutions.”

The MDSS Service business provided post warranty contract maintenance services for large diagnostic imaging equipment, primarily in the upper mid-west region of the United States for Philips products, and represented a portion of the MDSS reportable segment.

About Digirad Corporation

Digirad delivers convenient, effective, and efficient healthcare solutions on an as needed, when needed, and where needed basis. Digirad’s diverse portfolio of mobile healthcare solutions and diagnostic imaging equipment and services, provides hospitals, physician practices, and imaging centers throughout the United States access to technology and services necessary to provide exceptional patient care in the rapidly changing healthcare environment. For more information, please visit www.digirad.com.

Forward-Looking Statements

This press release contains statements that are forward-looking statements as defined within the Private Securities Litigation Reform Act of 1995. Some of these forward-looking statements can be identified by the use of forward-looking words such as “believes,” “expects,” “may,” “will,” “should,” “seek,” “approximately,” “intends,” “plans,” “estimates,” or “anticipates,” or the negative of those words or other comparable terminology, or in specific statements such as the Company’s ability to deliver value to customers, the ability to grow and generate positive cash flow, the ability to execute on restructuring activities, and ability to successfully execute acquisitions. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the statements made. These risks are detailed in Digirad’s filings with the U.S. Securities and Exchange Commission, including the Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports. Readers are cautioned to not place undue reliance on these forward-looking statements, which speak only as of the date hereof. All forward-looking statements are qualified in their entirety by this cautionary statement, and Digirad undertakes no obligation to revise or update the forward-looking statements contained herein.