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

FORM 8-K/A
Amendment No. 1

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 1, 2016

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

Delaware	001-35947	33-0145723
(State or other jurisdiction of incorporation)	(Commission File Number)	(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))

EXPLANATORY NOTE

This Amendment No. 1 to the Current Report on Form 8-K/A (this "Amendment") amends the Current Report on Form 8-K of Digirad Corporation ("Digirad" or the "Company") dated January 1, 2016 filed with the Securities and Exchange Commission on January 7, 2016 (the "Initial Form 8-K"). The Initial Form 8-K reported that on January 1, 2016, Digirad completed the acquisition of Project Rendezvous Holding Corporation ("PRHC"). The Company acquired all the issued and outstanding common stock of PRHC with a combination of cash-on-hand and financing from the Company's credit facility. The Initial Form 8-K also reported the Company has entered into a Credit Agreement on January 1, 2016 (filed with the Initial Form 8-K) with Wells Fargo Bank, National Association for a five-year credit facility with a maximum credit amount of $40,000,000. The sole purpose of this Amendment is to provide the financial statements and pro forma financial information required by Item 9.01, which were excluded from the Initial Form 8-K in accordance with the provisions of that item and are filed as exhibits hereto. All other items in the Initial Form 8-K remain the same.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

The following audited consolidated financial statements of Project Rendezvous Holding Corporation are attached hereto as Exhibit 99.2 and incorporated herein by reference:

- Audited consolidated financial statements as of and for the year ended December 31, 2015.

The following audited consolidated financial statements of Project Rendezvous Holding Corporation are attached hereto as Exhibit 99.3 and incorporated herein by reference:

- Audited consolidated financial statements as of and for the years ended December 31, 2014 and 2013.

(b) Pro Forma Financial Information.

The following unaudited pro forma condensed combined financial statements of Digirad Corporation are attached hereto as Exhibit 99.4 and incorporated herein by reference:

- Unaudited Pro Forma Condensed Combined Balance Sheet as of December 31, 2015; and,
- Unaudited Pro Forma Condensed Combined Statement of Income for the year ended December 31, 2015.

(d) Exhibits

Exhibit Number	Description
2.1	Stock Purchase Agreement dated as of October 13, 2015, by and among Digirad Corporation, Project Rendezvous Holding Corporation, the stockholders of Project Rendezvous Holding Corporation, and Platinum Equity Advisors, LLC as the stockholder representative (incorporated by reference to Exhibit 2.1 of Form 8-K filed on January 7, 2016).
2.2	Amendment to Stock Purchase Agreement dated as of December 31, 2015, by and between Digirad Corporation and Platinum Equity Advisors, LLC as the stockholder representative (incorporated by reference to Exhibit 2.2 of Form 8-K filed on January 7, 2016).
10.1	Credit Agreement dated January 1, 2016, by and among Digirad Corporation, certain subsidiaries of the Digirad Corporation identified on the signature pages thereto, the lenders from time to time party thereto, Well Fargo Bank, National Association, as agent and as sole lead arranger and sole book runner (incorporated by reference to Exhibit 10.1 of Form 8-K filed on January 7, 2016).
23.1	Consent of Independent Auditors, BDO USA, LLP
23.2	Consent of Independent Auditors, Ernst & Young LLP
99.1	Press Release, dated January 5, 2016 (incorporated by reference to Exhibit 99.1 of Form 8-K filed on January 7, 2016).
99.2	Audited consolidated financial statements of Project Rendezvous Holding Corporation as of December 31, 2015 and for the year then ended.
99.3	Audited consolidated financial statements of Project Rendezvous Holding Corporation as of December 31, 2014 and 2013, and for the years then ended.
99.4	Unaudited Pro Forma Condensed Combined Balance Sheet as of December 31, 2015 and Unaudited Pro Forma Condensed Combined Statement of Income for the year ended December 31, 2015.

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
(Registrant)

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

Dated: March 11, 2016

INDEX TO EXHIBITS

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99.4	Unaudited Pro Forma Condensed Combined Balance Sheet as of December 31, 2015 and Unaudited Pro Forma Condensed Combined Statement of Income for the year ended December 31, 2015.

Exhibit 23.1

Consent of Independent Auditor

Digirad Corporation

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-203785 and 333-201554) and Form S-8 (Nos. 333-196562, 333-175986, 333-129609 and 333-116345) of Digirad Corporation of our report dated March 10, 2016, relating to the consolidated financial statements of Project Rendezvous Holding Corporation and Subsidiaries as of and for the year ended December 31, 2015 which appears in this Form 8-K/A of Digirad Corporation.

/s/ BDO USA, LLP

La Jolla, California
March 11, 2016

Exhibit 23.2

CONSENT OF INDEPENDENT AUDITORS

We consent to the use of our report dated January 21, 2016, with respect to the consolidated financial statements of Project Rendezvous Holding Corporation incorporated by reference in the Registration Statements (Form S-8 Nos. 333-196562, 333-175986, 333-129609 and 333-116345 and Form S-3 Nos. 333-203785 and 333-201554) of Digirad Corporation, included in this Form 8-K/A of Digirad Corporation.

/s/ Ernst & Young LLP

Minneapolis, Minnesota
March 11, 2016

Exhibit 99.2

Project Rendezvous Holding Corporation
and Subsidiaries

Consolidated Financial Statements

As of and for the Year Ended December 31, 2015

Project Rendezvous Holding Corporation and Subsidiaries

Consolidated Financial Statements

As of and for the Year Ended December 31, 2015

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Independent Auditor's Report

The Board of Directors
Project Rendezvous Holding Corporation

We have audited the accompanying consolidated financial statements of Project Rendezvous Holding Corporation and Subsidiaries, which comprise the consolidated balance sheet as of December 31, 2015, and the related consolidated statements of operations, stockholder's equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Project Rendezvous Holding Corporation and Subsidiaries as of December 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP

La Jolla, California
March 10, 2016

Project Rendezvous Holding Corporation and Subsidiaries
Consolidated Balance Sheet
December 31, 2015
(In Thousands, Except Shares Data)

Assets	
Current assets:	
Cash and cash equivalents	$ 6,842
Accounts receivable, net	6,686
Inventories, net	324
Income taxes receivable	2,062
Deferred income tax assets	550
Prepaid expenses and other current assets	677
Total current assets	17,141
Property, plant, and equipment, net	12,598
Restricted cash	100
Debt issuance costs, net	26
Intangible assets, net	486
Deferred income tax assets, noncurrent	5,148
Total assets	$35,499
Liabilities and stockholder's equity	
Current liabilities:	
Accounts payable	$ 4,514
Accrued expenses and other current liabilities	2,946
Deferred revenue	1,836
Current portion of long-term debt	3,090
Total current liabilities	12,386
Long-term liabilities:	
Long-term debt, less current portion	6,260
Income taxes liability, noncurrent	949
Deferred revenue	32
Total long-term liabilities	7,241
Total liabilities	19,627
Stockholder's equity:	
Common stock, par value $0.01, 1,000 shares authorized, 100 shares issued and outstanding as of December 31, 2015	—
Additional paid-in capital	3,000
Retained earnings	12,872
Total stockholder's equity	15,872
Total liabilities and stockholder's equity	$35,499

See Notes to Consolidated Financial Statements.

Project Rendezvous Holding Corporation and Subsidiaries
Consolidated Statement of Operations
For the Year Ended December 31, 2015
(In Thousands)

Net sales	$67,780
Cost of sales	42,068
Gross profit	25,712
Selling, general, and administrative expenses	18,746
Management and advisory services – related party	1,010
Operating income	5,956
Interest expense, net	(259)
Other income, net	198
Income before income taxes	5,895
Income tax expense	2,237
Net income	$ 3,658

See Notes to Consolidated Financial Statements.

Project Rendezvous Holding Corporation and Subsidiaries
Consolidated Statement of Stockholder's Equity
(In Thousands, Except Shares)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Total Stockholder's Equity
	Shares	Amount			
Balance at December 31, 2014	100	$ —	$ 3,000	$11,241	$ 14,241
Net income	—	—	—	3,658	3,658
Dividends paid	—	—	—	(2,027)	(2,027)
Balance at December 31, 2015	100	$ —	$ 3,000	$12,872	$ 15,872

See Notes to Consolidated Financial Statements.

Project Rendezvous Holding Corporation and Subsidiaries
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2015
(In Thousands)

Operating activities	
Net income	$ 3,658
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization of property, plant and equipment	5,018
Amortization of intangible assets	147
Amortization of debt issuance costs	81
Deferred tax expense	(251)
Gain on disposal of fixed assets	(221)
Changes in assets and liabilities:	
Accounts receivable, net	1,229
Inventories, net	755
Income taxes receivable	(144)
Other current assets	411
Accounts payable	(951)
Income taxes liability, noncurrent	525
Other current liabilities	(534)
Net cash provided by operating activities	9,723
Investing activities	
Purchases of property and equipment	(2,641)
Proceeds from sale of fixed assets	361
Increase in restricted cash	(100)
Net cash used in investing activities	(2,380)
Financing activities	
Payments of long-term debt	(1,854)
Borrowing under revolving loan	955
Payments under revolving loan	(955)
Dividends paid	(2,027)
Net cash used in financing activities	(3,881)
Net increase in cash and cash equivalents	3,462
Cash and cash equivalents, beginning of year	3,380
Cash and cash equivalents, end of year	$ 6,842
Supplemental disclosures of cash flow information	
Cash payments for interest	$ 181
Income taxes paid, net of refunds	$ 2,135

See Notes to Consolidated Financial Statements.

1. The Company

Project Rendezvous Holding Corporation ("PRHC" or the "Company") was owned by certain private equity investment vehicles sponsored by Platinum Equity, LLC. PRHC owns Project Rendezvous Acquisition Corporation ("PRAC"). PRAC acquired DMS Health Technologies, Inc. and its subsidiaries ("DMSHT") on March 1, 2012.

DMSHT is comprised of three entities through which it sells medical equipment and services, parts, and diagnostic imaging services to the health care industry in the United States and Canada. These entities are DMSHT, DMS Imaging Inc. ("DMSI"), and DMS Health Technologies Canada, Inc. ("DMSHT Canada").

On October 13, 2015, the Company entered into a definitive stock purchase agreement to sell all of the issued and outstanding common stock of the Company to Digirad Corporation for $36,000 in cash. The transaction closed on January 1, 2016. See Note 16.

DMSHT sells imaging, cardiac monitoring, and ultrasound systems manufactured by Philips Medical Systems ("Philips") to a variety of health care providers in the upper midwestern United States, as well as a complete line of imaging supplies and accessories from a variety of manufacturers. DMSHT also provides installation, warranty coverage, service contracts, and repair and maintenance services for Philips imaging equipment, as well as equipment and trailer service support to DMSI. The majority of activities of DMSHT are conducted under various distribution agreements with Philips. Under the terms of the agreements, DMSHT has exclusive rights to service and sell Philips' products in a specific geographic area in the United States.

DMSI is a wholly owned subsidiary of DMSHT that offers mobile, fixed-site, and interim imaging services to hospitals, clinics, and other providers in the United States. DMSHT Canada is a wholly owned subsidiary of DMSI that offers interim imaging services to hospitals, clinics, and other providers in Canada. Services typically include the use of the Company's systems and technologists to provide imaging scans for the health care facilities' patients or equipment rentals, whereby the facility rents the equipment on-site and provides its own staff. DMSI and DMSHT Canada offer imaging services across a wide variety of modalities, including Positron Emission Tomography/Computed Tomography, Magnetic Resonance Imaging, Computed Tomography, Nuclear Medicine, Digital Mammography, and Bone Densitometry. Equipment owned by DMSI and used in its services to health care providers in the United States and Canada is manufactured by a variety of manufacturers.

2. Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. On an ongoing basis, the Company reviews its estimates to ensure that these estimates appropriately reflect changes in its business.

(In Thousands)

Accounts Receivable

Accounts receivable are carried at original invoice amount less an estimate for doubtful accounts. An estimate of uncollectible amounts is made by management based upon historical bad debts, current customer receivable balances, age of customer receivable balances, the customer's financial condition, and current economic trends, all of which are subject to change. Accounts receivable are written off against the allowance when deemed uncollectible. Recoveries of accounts previously written off are recorded when received. The Company generally does not require collateral on trade accounts receivable.

Concentration of Credit Risk

The Company's financial instruments that are subject to credit risk consist primarily of cash and trade receivables. At times, cash in banks is in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limit. The Company has not experienced any loss as a result of those deposits and does not expect any in the future. The Company sells its products to a wide range of customers. No single customer represented more than 10% of the Company's sales for the year ended December 31, 2015 or outstanding accounts receivable balance as of December 31, 2015.

The Company derives a significant portion of its revenues from activities that are subject to a distribution agreement with Philips. DMSHT has been a distributor for Philips since 1972 and entered into a five-year agreement effective April 1, 2014.

Inventories

Inventories consist of medical equipment, associated parts, and supplies used in diagnostic imaging services. Inventories are carried at the lower of cost or market, with cost determined using the first-in, first-out ("FIFO") method. The inventory balance is recorded net of an estimated allowance for excess, obsolete, or slow-moving inventory. The estimated allowance for excess, obsolete, or slow-moving inventory is based upon current inventory levels, sales trends, and historical experience, as well as management's understanding of market conditions, all of which are subject to change.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the related assets, except for leasehold improvements, which are amortized over the lesser of the remaining lease term or their estimated useful lives. Depreciation and amortization expense totaled $5,018 for the year ended December 31, 2015. Depreciation and amortization included in cost of sales was $4,528 for the year ended December 31, 2015.

The estimated useful lives of the related assets are as follows:

Buildings	35 years
Leasehold improvements	7 years
Operating equipment	3-7 years
Office furniture and equipment	5-7 years
Computer/software	3 years
Vehicles	3 years

Normal repairs and maintenance costs are expensed as incurred. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized. Capital-in-progress consists primarily of costs associated with unfinished imaging systems.

Intangible Assets

Intangible assets relate to DMSHT's distribution agreement with Philips. The distribution agreement was valued at $1,000 at the time of acquisition. The intangible assets are being amortized over the term of the Philips distribution agreement.

Impairment of Long-Lived Assets

The Company periodically assesses potential impairment of long-lived assets with estimable useful lives which include property, plant and equipment and acquired intangible assets. An impairment review is performed whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors the Company considers important which could trigger an impairment review include, but are not limited to, significant under-performance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or the strategy for the Company's overall business, and significant industry or economic trends. When the Company determines that the carrying value of the long-lived assets may not be recoverable based upon the existence of one or more of the above indicators, the Company determines the recoverability by comparing the carrying amount of the asset to net future undiscounted cash flows that the asset is expected to generate. The impairment recognized is the amount by which the carrying amount exceeds the fair market value of the asset. The Company did not recognize any impairment charges for the year ended December 31, 2015.

Debt Issuance Costs

On May 24, 2012, the Company, as guarantor, and DMSHT, as borrower, entered into a credit agreement, as amended, with JP Morgan Chase (the "Credit Agreement"). In connection with the Credit Agreement, DMSHT incurred bank and other fees of $427, which were capitalized in 2012, as debt issuance costs and are being amortized over the term of the Credit Agreement (see note 9) using the effective-interest method. At December 31, 2015, the unamortized amount of debt issuance costs was $97. The Company amortized $81 of debt issuance costs during the year ended December 31, 2015.

Restricted Cash

In December 2015, the Company collateralized its $100 standby letter of credit in favor of Zurich American Insurance Company as a result of cancelling its revolving loan under the Credit Agreement (see note 9). In January 2016, the Company was also required to collateralize its employee credit card program with $500 in restricted cash. In February 2016, the bank released collateral requirement for the employee credit card program and the $500 in restricted cash was returned to the Company.

Deferred Revenue

Deferred revenue consists of fees for prepaid rental contracts, prepaid commission sales and undelivered services related to warranty and service contracts. Deferred revenue is recognized as it is earned, which is over the term of the underlying agreement.

Revenue Recognition

Revenue related to the Company involves equipment sales and service. Revenue from equipment sales consists primarily of commission income and is reported on a net basis, which represents the commission the Company earns for selling Philips equipment and supplies to end users. Sales revenue is recognized upon delivery. Net sales related to equipment and supplies amounted to $5,584 for the year ended December 31, 2015.

Revenue related to warranty and service contracts that extend over multiple months is accounted for on the proportional-performance method, which the Company deems to be on a straight-line basis. Revenue related to time-and-materials service contracts is recognized in the month services are provided. Net sales related to service and warranty contracts amounted to $11,302 for the year ended December 31, 2015.

Revenue related to DMSI and DMSHT Canada involves the provision of imaging equipment, supplies, and service to health care facilities across the United States and Canada. All services in Canada are billed and received in U.S. Dollars. Services typically include the use of its systems and technologists to provide imaging scans for the health care facilities' patients. Facilities are billed either on a per-scan or fixed-payment methodology, depending upon the contract that is negotiated with the health care facility. DMSI and DMSHT Canada also rent systems to health care facilities for use in their operations. Rental revenues are structured in either a weekly or monthly payment arrangement and are recognized in the month services are provided. Net sales related to DMSI and DMSHT Canada amounted to $50,894 for the year ended December 31, 2015.

The criteria for recognition of revenue are met when (1) persuasive evidence of an arrangement with the customer exists, normally through the receipt of a purchase order; (2) the goods have been delivered; (3) the price is fixed or determinable; and (4) collectability is reasonably assured. At the time of revenue recognition, the Company also provides for estimated sales returns, discounts, and allowances as reductions to revenues.

Cost of Sales

Cost of sales includes all material, labor, direct overhead, depreciation of underlying assets, and freight costs. Provisions for excess, obsolete, or slow-moving inventory are also included in cost of sales.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses consist of personnel-related costs, commissions, insurance, corporate advisory services, and other general operating expenses.

Taxes Collected From Customers

Sales tax collected from customers is presented net of amounts expected to be remitted to various tax jurisdictions. Accordingly, sales taxes are reported on a net basis in the accompanying consolidated statement of operations.

Shipping and Handling Costs

We record all shipping and handling billings to customers as revenue earned for the goods provided. Shipping and handling costs incurred by the Company are included in cost of sales and amounted to $151 in 2015.

Fair Value of Financial Instruments

The Company's consolidated financial instruments consist of cash, trade receivables, trade payables, and term debt. The carrying amounts of cash, trade receivables, and trade payables approximate fair value because of their nature and short-term maturities. The fair value of short- and long-term debt approximates carrying value and has been estimated based on discounted cash flows using variable interest rates being offered for similar debt having the same or similar remaining maturities and collateral requirements. We have no financial statement items required to be reported at fair value.

(In Thousands)

Income Taxes

Current income tax expense is the amount of income taxes expected to be payable for the current period. A deferred income tax asset or liability is established for the difference between the tax basis of an asset or liability computed pursuant to Accounting Standards Codification ("ASC") 740, *Income Taxes*, and its reported amount in the financial statements that will result in taxable or deductible amounts in future years when the reported amount of the asset or liability is recovered or settled, respectively. The Company provides a valuation allowance for its deferred tax assets when, in the opinion of management, it is more-likely-than-not that such assets will not be realized. In evaluating the ability to recover deferred tax assets within the jurisdiction from which they arise, the Company considers all available evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, ongoing prudent and feasible tax planning strategies, and recent financial operations.

3. Accounts Receivable

Accounts receivable, net of allowances for doubtful accounts, consist of the following at December 31, 2015:

Accounts receivable - Trade	$6,167
Other accounts receivable, primarily commissions due from others	661
Allowance for doubtful accounts	(142)
	$6,686

4. Inventories

Inventories, net of allowances for obsolete and slow-moving inventories, consist of the following at December 31, 2015:

Finished goods and service parts	$ 768
Allowance for obsolete inventory	(444)
	$ 324

During the year ended December 31, 2015, the Company wrote off and disposed of $733 in obsolete and slow-moving inventory.

(In Thousands)

5. Property, Plant, and Equipment

Property, plant, and equipment consist of the following at December 31, 2015:

Land	$ 560
Building and improvements	1,667
Operating equipment	27,340
Leasehold improvements	18
Office equipment	1,805
Vehicles	331
	31,721
Less accumulated depreciation and amortization	(19,123)
	$ 12,598

6. Intangible Assets

The Company amortizes certain acquired intangible assets on a straight-line basis over the term of the existing Philips distributor agreement plus the renewed Philips distributor agreement. As of December 31, 2015, the remaining estimated useful life was 39 months.

	Gross Amount	Amortization	Net Amount
Intangible assets subject to amortization:			
Distribution agreement as of December 31, 2015	$1,000	$ (514)	$ 486

Amortization expense on intangible assets for the year ended December 31, 2015 was $147.

The estimated amortization expense related to intangible assets as of December 31, 2015, is as follows:

2016	$147
2017	147
2018	147
2019	45
	$486

7. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following at December 31, 2015:

Salaries, wages, and bonuses	$2,472
Commissions	137
Customer deposits	211
Sales tax	126
	$2,946

(In Thousands)

8. Related-Party Transactions

The Company had a corporate advisory services agreement with Platinum Equity Advisors, LLC ("Advisors"), an affiliate of Platinum, to provide management and other advisory services to DMSHT, PRAC, and the Company. The Company paid fees and other expenses of $1,010 to Advisors during the year ended December 31, 2015. There were no outstanding payables for such fees and expenses as of December 31, 2015. See Note 16.

9. Long-Term Debt and Credit Facility

Long-term debt consists of the following at December 31, 2015:

Note payable – JP Morgan Chase Agreement	$ 9,350
Less current maturities of long-term debt	(3,090)
Long-term debt, less current portion	$ 6,260

At December 31, 2015, the aggregate contractual maturities of the long-term debt were as follows:

2016	$3,090
2017	6,260
	$9,350

On May 24, 2012, the Company, as guarantor, and DMSHT, as borrower, entered into a credit agreement, as amended, with JP Morgan Chase (the "Credit Agreement"). The Credit Agreement expires on May 24, 2017. In accordance with DMSHT's business, the Credit Agreement provided for a variable-rate term loan, in the amount of $17,300, and variable-rate revolving loans up to $7,500, collateralized by substantially all assets of DMSHT. On May 19, 2014, DMSHT executed the third amendment to the Credit Agreement, which lowered the maximum amount of the variable-rate revolving loans from $15,000 to $7,500.

Borrowings under the term loan bear interest at London Interbank Offered Rate ("LIBOR") plus 1.5%. The rate is variable and subject to change on a periodic basis. The Credit Agreement contained certain financial covenants, including a fixed-charge coverage ratio and senior leverage ratio. At December 31, 2015, DMSHT was in compliance with all associated covenants. DMSHT was generally restricted from incurring additional debt, creating liens, transferring all or substantially all of its assets, or entering into merger or consolidation transactions other than permitted acquisitions, entering into specified transactions with affiliates, and entering into certain other transactions without written consent of the lender.

Borrowings under the revolving loan are limited to a formula-based percentage advance rate on eligible accounts receivable and inventory, along with a reserve for an outstanding standby letter of credit. Amounts borrowed under the revolving loan bear interest at DMSHT's option of adjusted prime rate or the Eurodollar Offered Rate. During year ended December 31, 2015, DMSHT was advanced and paid off $955 under the revolver. DMSHT is also required to pay, on a monthly basis, a commitment fee of 0.15% per annum applied against the calculated unused credit facility. DMSHT has issued a $100 standby letter of credit in favor of Zurich American Insurance Company. See note 16 for discussion of pay-off of the debt in 2016.

(In Thousands)

10. Commitments and Contingencies

The Company leases medical imaging equipment and vehicles under noncancelable agreements that expire over a varying time period. In addition, the Company leases office and garage space. Generally, vehicle leases have terms of either 36 or 50 months, depending upon the type of vehicle. Office and garage space leases have varying terms ranging from month-to-month arrangements to 60 months. Medical imaging equipment leases have terms ranging from one to 60 months. During the year ended December 31, 2015 the Company incurred $3,530 of operating lease expense.

In addition, the Company has certain noncancellable service agreements to maintain portions of the fleet of imaging machines ranging from 36 to 60 months.

Approximate future minimum payments for operating lease and service agreement obligations as of December 31, 2015, are as follows:

2016	$ 6,255
2017	5,050
2018	2,712
2019	1,746
2020	356
	$16,119

11. Stockholder's Equity

The Company has authorized capital stock of 1,000 shares, $0.01 par value, which are designated as common stock. As of December 31, 2015, 100 shares of common stock were issued and outstanding. The Company paid dividends in the amount of $2,027 during the year ended December 31, 2015.

12. Employee Benefit Plan

The Company provides a 401(k) defined contribution plan pursuant to which eligible employees may elect to participate. Matching contributions by the Company are discretionary and determined annually. The Company recognized matching contribution expense of $419 for the year ended December 31, 2015.

(In Thousands)

13. Income Taxes

Income tax expense for the year ended December 31, 2015, consists of the following:

Current income tax expense:	
Federal	$1,944
State	392
Foreign	152
	2,488
Deferred income tax benefit:	
Federal	(197)
State	(54)
	(251)
Income tax expense	$2,237

Reconciliation of income tax expense with the federal statutory tax rate for years ended December 31, 2015, was as follows:

Federal income tax expense at statutory rate	$2,051
State income taxes, net of federal benefit	256
Permanent items	64
Section 382 built-in-loss adjustment	27
Other	(21)
Change in valuation allowance	(140)
	$2,237

The provision for income taxes differs from the amount obtained by applying the U.S. federal statutory income tax rate of 34% due primarily to state taxes, and principally a valuation allowance.

(In Thousands)

Net deferred tax assets consist of the following components as of December 31, 2015:

Deferred tax assets:	
Allowance for doubtful accounts	$ 53
Section 263A adjustment	22
Inventory allowance	165
Accrued compensation	425
Intangibles and goodwill	367
Net Operating Loss (“NOL”) carryforward	5,413
Other	64
Foreign tax credit	34
	6,543
Deferred tax liabilities:	
Depreciation	(499)
Land	(167)
Prepaid expenses	(145)
	(811)
Valuation allowance	(34)
Net deferred tax assets	$5,698

The deferred tax amounts have been classified in the accompanying consolidated balance sheets as follows:

Current assets	$ 550
Noncurrent assets	5,148
	$5,698

The Company conducts an annual analysis of its deferred tax assets to determine whether all or any portion of the assets are more-likely-than-not unrealizable in accordance with ASC Topic 740, *Income Taxes*.

Based on the Company’s annual analysis in 2015, the Company concluded that it was more-likely-than-not that most of the deferred all tax assets would be realized, the Company recognized a $139 income tax benefit that resulted from the reversal of all but $34 of total deferred tax asset valuation allowance.

At December 31, 2015, the Company has federal and state NOL carryforwards of approximately $7,928 and $14,606, respectively. The federal and state loss carryforwards begin to expire in 2029 and 2017, respectively, unless utilized. At December 31, 2015, the Company has foreign tax credits of approximately $34 that begin to expire in 2022 and contain a full valuation allowance. Utilization of NOL and tax credit carryforwards to offset future taxable income in any one year may be limited upon the occurrence of certain substantial changes in ownership of the Company, as statutorily defined.

The Company has adopted Accounting for Uncertainty in Income Taxes pursuant to ASC 740. The Company’s practice is to recognize interest and/or penalties related to income tax matters in income tax expense. As December 31, 2015, the Company had $66 of accrued interest and penalties and recognized $43 of interest and penalties during the year ended December 31, 2015.

The following table summarizes the activity related to the Company’s gross unrecognized tax benefits for the year ended December 31, 2015:

(In Thousands)

Gross unrecognized tax benefits at beginning of year	$424
Increases related to prior year positions	459
Gross unrecognized tax benefits at end of year	$883

The Company does not believe its unrecognized tax benefits will significantly change during the next 12 months.

An ownership change occurred on March 1, 2012, resulting in a net built-in-loss under Internal Revenue Code (“IRC”) Section 382. As a result, the Company is subject to an annual limitation of $944. The Company generated realized built-in-losses in 2012-2015 that are included in the NOLs disclosed above. Pursuant to IRC Section 382, the Company has the potential to generate additional built-in-losses over a five-year period from the ownership change date.

The Company is subject to taxation in the United States and various state jurisdictions. Due to NOL carryforwards, the Company is subject to examination by the Internal Revenue Service for tax years 2011 and forward. The Company is subject to examination by state tax authorities for tax years 2010, and forward.

14. Legal Matters

At times, the Company is subject to various claims and legal proceedings that generally involve claims related to product, intellectual property, employment-related matters, or general legal issues. In the opinion of management, these proceedings are matters incidental to the normal business conducted by the Company. Although the ultimate resolution of legal proceedings cannot be predicted with certainty, in the opinion of management, such proceedings are substantially covered by insurance, and the ultimate disposition of such proceedings are not expected to have a material adverse effect upon the Company’s consolidated financial condition.

15. Participation Plan and Sale of Company

Until May 13, 2013, the Company maintained a Participation Plan for certain executive employees at which point it was terminated pursuant to Section 15 of that plan.

In 2014, the Company adopted a new Participation Plan for certain executive employees. Under the new plan, participants were granted performance units, the value of which appreciate when and as the value of the Company increases from and after the date of grant, and this appreciation in value is the basis upon which incentive compensation could become payable upon the occurrence of either a qualifying sale event or a qualifying distribution event, as set forth in the plan. If a participating employee’s employment terminates for any reason, the employee’s participation units are forfeited.

See note 16 for discussion of the qualifying sale event and total payment in the amount of $1,560.

16. Subsequent Events

On October 13, 2015, the Company entered into a definitive stock purchase agreement to sell all of the issued and outstanding common stock of the Company to Digirad Corporation for $36,000 in cash. The transaction closed on January 1, 2016, and triggered a payment of approximately $1,560 with respect to the performance units, of the Company maintained Participation Plan, on the closing date. The compensation expense is not reflected in the consolidated financial statements as of December 31, 2015 since the qualifying event took place during 2016.

In conjunction with the sale of the Company to Digirad Corporation, the outstanding balance of $9,350 under the Credit Agreement was paid off on January 4, 2016 and the corporate advisory services agreement with Platinum Equity Advisors, LLC terminated.

The Company has evaluated subsequent events through March 10, 2016, the date the consolidated financial statements were available to be issued and disclosed herein.

Exhibit 99.3

Project Rendezvous Holding Corporation
and Subsidiaries

Consolidated Financial Statements

As of December 31, 2014 and 2013

Project Rendezvous Holding Corporation and Subsidiaries

Consolidated Financial Statements

As of December 31, 2014 and 2013

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Report of Independent Auditors

The Board of Directors
Project Rendezvous Holding Corporation and Subsidiaries

We have audited the accompanying consolidated financial statements of Project Rendezvous Holding Corporation and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations, stockholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the consolidated financial position of Project Rendezvous Holding Corporation and Subsidiaries at December 31, 2014, and 2013, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

January 21, 2016

A member firm of Ernst & Young Global Limited

Project Rendezvous Holding Corporation and Subsidiaries
Consolidated Balance Sheets
(In Thousands, Except Shares Data)

	December 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash	$ 3,380	$ 3,835
Accounts receivable, net	7,915	9,027
Inventories, net	1,079	1,768
Income taxes receivable	1,918	118
Deferred income tax assets	598	—
Prepaid expenses and other current assets	1,092	912
Total current assets	15,982	15,660
Property, plant, and equipment, net	15,115	18,614
Debt issuance costs, net	98	178
Intangible assets, net	633	780
Deferred income tax assets, noncurrent	4,849	—
Other noncurrent assets	5	5
Total assets	$36,682	$35,237
Liabilities and stockholder's equity		
Current liabilities:		
Accounts payable	$ 5,465	$ 5,558
Accrued expenses	2,445	2,491
Deferred revenue	2,869	2,899
Deferred tax liabilities	—	61
Current portion of long-term debt	2,472	2,472
Total current liabilities	13,251	13,481
Long-term liabilities:		
Long-term debt, less current portion	8,732	11,204
Income taxes liability, noncurrent	424	—
Deferred tax liabilities, noncurrent	—	106
Deferred revenue	34	65
Total long-term liabilities	9,190	11,375
Total liabilities	22,441	24,856
Stockholder's equity:		
Common stock, par value $0.01, 1,000 shares authorized, 100 shares issued and outstanding as of December 31, 2014 and 2013	—	—
Additional paid-in capital	3,000	3,000
Retained earnings	11,241	7,381
Total stockholder's equity	14,241	10,381
Total liabilities and stockholder's equity	$36,682	$35,237

See Notes to Consolidated Financial Statements.

Project Rendezvous Holding Corporation and Subsidiaries
Consolidated Statements of Operations
(In Thousands)

	December 31, 2014	December 31, 2013
Net sales	$66,991	$73,450
Cost of sales	44,063	46,751
Gross profit	22,928	26,699
Selling, general, and administrative expenses	18,106	17,712
Management and advisory services	1,044	1,100
Operating income	3,778	7,887
Interest expense, net	336	332
Other income, net	(348)	(188)
Income before income taxes	3,790	7,743
Income tax expense (benefit)	(4,070)	4,401
Net income	$ 7,860	$ 3,342

See Notes to Consolidated Financial Statements.

Project Rendezvous Holding Corporation and Subsidiaries
Consolidated Statements of Stockholder's Equity
(In Thousands)

	Common Shares	Additional Paid-In Capital	Retained Earnings	Total Stockholder's Equity
Balance at December 31, 2012	$ —	$ 3,000	$ 8,739	$ 11,739
Net income	—	—	3,342	3,342
Dividends paid	—	—	(4,700)	(4,700)
Balance at December 31, 2013	—	3,000	7,381	10,381
Net income	—	—	7,860	7,860
Dividends paid	—	—	(4,000)	(4,000)
Balance at December 31, 2014	$ —	$ 3,000	$11,241	$ 14,241

See Notes to Consolidated Financial Statements.

Project Rendezvous Holding Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(In Thousands)

	December 31, 2014	December 31, 2013
Operating activities		
Net income	$ 7,860	$ 3,342
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property, plant and equipment	5,883	5,664
Amortization of intangible assets	147	147
Amortization of debt issuance costs	89	98
Deferred tax expense	(5,615)	—
(Gain) loss on disposal of fixed assets	(126)	45
Changes in assets and liabilities:		
Accounts receivable, net	1,112	2,648
Inventories, net	689	106
Income taxes receivable	(1,800)	526
Other current assets	(189)	172
Accounts payable	(93)	(135)
Income taxes liability, noncurrent	424	—
Long-term deferred revenue	(31)	13
Other current liabilities	(76)	(854)
Net cash provided by operating activities	8,274	11,772
Investing activities		
Purchases of property, plant, and equipment	(2,568)	(4,682)
Proceeds from sale of fixed assets	311	455
Net cash used in investing activities	(2,257)	(4,227)
Financing activities		
Payments of long-term debt	(2,472)	(2,471)
Dividends paid	(4,000)	(4,700)
Net cash used in financing activities	(6,472)	(7,171)
Net (decrease) increase in cash	(455)	374
Cash, beginning of year	3,835	3,461
Cash, end of year	$ 3,380	$ 3,835
Supplemental disclosures of cash flow information		
Cash payments for interest	$ 273	$ 290
Income taxes paid, net of refunds	$ 2,920	$ 3,914

See Notes to Consolidated Financial Statements.

1. The Company

Project Rendezvous Holding Corporation ("PRHC" or the "Company") is owned by certain private equity investment vehicles sponsored by Platinum Equity, LLC. PRHC owns Project Rendezvous Acquisition Corporation ("PRAC"). PRAC acquired DMS Health Technologies, Inc. and its subsidiaries ("DMSHT") on March 1, 2012.

DMSHT is comprised of three entities through which it sells medical equipment and services, parts, and diagnostic imaging services to the health care industry in the United States and Canada. These entities are DMSHT, DMS Imaging Inc. ("DMSI"), and DMS Health Technologies Canada, Inc. ("DMSHT Canada").

DMSHT sells imaging, cardiac monitoring, and ultrasound systems manufactured by Philips Medical Systems ("Philips") to a variety of health care providers in the upper midwestern United States, as well as a complete line of imaging supplies and accessories from a variety of manufacturers. DMSHT also provides installation, warranty coverage, service contracts, and repair and maintenance services for Philips imaging equipment, as well as equipment and trailer service support to DMSI. The majority of activities of DMSHT are conducted under various distribution agreements with Philips. Under the terms of the agreements, DMSHT has exclusive rights to service and sell Philips' products in a specific geographic area in the United States.

DMSI is a wholly owned subsidiary of DMSHT that offers mobile, fixed-site, and interim imaging services to hospitals, clinics, and other providers in the United States. DMSHT Canada is a wholly owned subsidiary of DMSI that offers interim imaging services to hospitals, clinics, and other providers in Canada. Services typically include the use of the Company's systems and technologists to provide imaging scans for the health care facilities' patients or equipment rentals, whereby the facility rents the equipment on-site and provides its own staff. DMSI and DMSHT Canada offer imaging services across a wide variety of modalities, including Positron Emission Tomography/Computed Tomography, Magnetic Resonance Imaging, Computed Tomography, Nuclear Medicine, Digital Mammography, and Bone Densitometry. Equipment owned by DMSI and used in its services to health care providers in the United States and Canada is manufactured by a variety of manufacturers.

2. Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. On an ongoing basis, the Company reviews its estimates to ensure that these estimates appropriately reflect changes in its business.

Accounts Receivable

Accounts receivable are carried at original invoice amount less an estimate for doubtful accounts. An estimate of uncollectible amounts is made by management based upon historical bad debts, current customer receivable balances, age of customer receivable balances, the customer's financial condition, and current economic trends, all of which are subject to change. Accounts receivable are written off against the allowance when deemed uncollectible. Recoveries of accounts previously written off are recorded when received. The Company generally does not require collateral on trade accounts receivable.

(In Thousands)

Concentration of Credit Risk

The Company's financial instruments that are subject to credit risk consist primarily of cash and trade receivables. At times, cash in banks is in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limit. The Company has not experienced any loss as a result of those deposits and does not expect any in the future. The Company sells its products to a wide range of customers. At December 31, 2014, no single customer represented more than 10% of the Company's sales or outstanding accounts receivable balance.

The Company derives a significant portion of its revenues from activities that are subject to a distribution agreement with Philips. DMSHT has been a distributor for Philips since 1972 and entered into a five-year agreement effective April 1, 2014.

Inventories

Inventories consist of medical equipment, associated parts, and supplies used in diagnostic imaging services. Inventories are carried at the lower of cost or market, with cost determined using the first-in, first-out ("FIFO") method. The inventory balance is recorded net of an estimated allowance for excess, obsolete, or slow-moving inventory. The estimated allowance for excess, obsolete, or slow-moving inventory is based upon current inventory levels, sales trends, and historical experience, as well as management's understanding of market conditions, all of which are subject to change.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, except for leasehold improvements, which are depreciated over the lesser of the lease term or their estimated useful lives. Depreciation expense totaled $5,883 and $5,664 for the years ended December 31, 2014 and 2013, respectively. Depreciation and amortization included in cost of sales was $5,455 and $5,244 for the years ended December 31, 2014 and 2013, respectively.

The estimated useful lives of the related assets are as follows:

Buildings	35 years
Building and leasehold improvement	7 years
Operating equipment	3-7 years
Office furniture and equipment	5-7 years
Computer/software	3 years
Vehicles	3 years

Normal repairs and maintenance costs are expensed as incurred. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized. Capital-in-progress consists primarily of costs associated with unfinished imaging systems.

Debt Issuance Costs

Debt issuance costs are amortized over the term of the credit agreement (see note 8) using the effective-interest method. The Company amortized $89 and $98 of debt issuance costs during the years ended December 31, 2014 and 2013, respectively.

Intangible Assets

Intangible assets relate to DMSHT's distribution agreement with Philips. The distribution agreement was valued at $1,000 at the time of acquisition. The intangible assets are being amortized over the term of the Philips distribution agreement.

Revenue Recognition

Revenue related to the Company involves equipment sales and service. Revenue from equipment sales consists primarily of commission income, which represents the commission the Company earns for selling Philips equipment and supplies to end users. Sales revenue is recognized upon delivery. Net sales related to equipment and supplies amounted to $4,793 and $5,115 for the years ended December 31, 2014 and 2013, respectively.

Revenue related to warranty and service contracts that extend over multiple months is accounted for on the proportional-performance method, which the Company deems to be on a straight-line basis. Revenue related to time-and-materials service contracts is recognized in the month services are provided. Net sales related to service and warranty contracts amounted to $12,616 and $13,823 for the years ended December 31, 2014 and 2013, respectively.

Revenue related to DMSI and DMSHT Canada involves the provision of imaging equipment, supplies, and service to health care facilities across the United States and Canada. Services typically include the use of its systems and technologists to provide imaging scans for the health care facilities' patients. Facilities are billed either on a per-scan or fixed-payment methodology, depending upon the contract that is negotiated with the health care facility. DMSI and DMSHT Canada also rent systems to health care facilities for use in their operations. Rental revenues are structured in either a weekly or monthly payment arrangement and are recognized in the month services are provided. Net sales related to DMSI and DMSHT Canada amounted to $49,582 and $54,512 for the years ended December 31, 2014 and 2013, respectively.

The criteria for recognition of revenue are met when (1) persuasive evidence of an arrangement with the customer exists, normally through the receipt of a purchase order; (2) the goods have been delivered; (3) the price is fixed or determinable; and (4) collectability is reasonably assured. At the time of revenue recognition, the Company also provides for estimated sales returns, discounts, and allowances as reductions to revenues.

Cost of Sales

Cost of sales includes all material, labor, direct overhead, and freight costs. Provisions for excess, obsolete, or slow-moving inventory are also included in cost of sales.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses consist of personnel-related costs, commissions, insurance, corporate advisory services, and other general operating expenses.

(In Thousands)

Taxes Collected From Customers

Sales tax collected from customers is presented net of amounts expected to be remitted to various tax jurisdictions. Accordingly, sales taxes are reported on a net basis in the accompanying consolidated statements of operations.

Shipping and Handling Costs

Shipping and handling costs incurred by the Company are included in cost of sales.

Fair Value of Financial Instruments

The Company's consolidated financial instruments consist of cash, trade receivables, trade payables, and term debt. The carrying amounts of cash, trade receivables, and trade payables approximate fair value because of their nature and short-term maturities. The fair value of short- and long-term debt approximates carrying value and has been estimated based on discounted cash flows using variable interest rates being offered for similar debt having the same or similar remaining maturities and collateral requirements.

Income Taxes

Current income tax expense is the amount of income taxes expected to be payable for the current period. A deferred income tax asset or liability is established for the difference between the tax basis of an asset or liability computed pursuant to Accounting Standards Codification ("ASC") 740, *Income Taxes,* and its reported amount in the financial statements that will result in taxable or deductible amounts in future years when the reported amount of the asset or liability is recovered or settled, respectively. The Company provides a valuation allowance for its deferred tax assets when, in the opinion of management, it is more-likely-than-not that such assets will not be realized. In evaluating the ability to recover deferred tax assets within the jurisdiction from which they arise, the Company considers all available evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, ongoing prudent and feasible tax planning strategies, and recent financial operations.

3. Accounts Receivable

Accounts receivable, net of allowances for doubtful accounts, consist of the following at December 31, 2014 and 2013:

	2014	2013
Trade accounts receivable	$7,783	$8,839
Other accounts receivable, primarily commissions due from others	582	703
Allowance for doubtful accounts	(450)	(515)
	$7,915	$9,027

(In Thousands)

Inventories

Inventories, net of allowances for obsolete and slow-moving inventories, consist of the following at December 31, 2014 and 2013:

	2014	2013
Finished goods and service parts	$1,420	$2,210
Allowance for obsolete inventory	(341)	(442)
	$1,079	$1,768

During the years ended December 31, 2014 and 2013, the Company wrote off and disposed of $307 and $57, respectively, in obsolete and slow-moving inventory.

4. Property, Plant, and Equipment

Property, plant, and equipment consist of the following at December 31, 2014 and 2013:

	2014	2013
Land	$ 560	$ 560
Building and improvements	1,667	1,652
Operating equipment	25,597	24,187
Leasehold improvements	28	28
Office equipment	1,344	1,052
Vehicles	317	243
Capital-in-progress	163	190
	29,676	27,912
Less accumulated depreciation	(14,561)	(9,298)
	$ 15,115	$18,614

5. Intangible Assets

The Company amortizes certain acquired intangible assets on a straight-line basis over the term of the existing Philips distributor agreement plus the renewed Philips distributor agreement. As of December 31, 2014, the remaining estimated useful life was 51 months.

	Gross Amount	Amortization	Net Amount
Intangible assets subject to amortization:			
Distribution agreement as of December 31, 2014	$1,000	$ (367)	$ 633
Distribution agreement as of December 31, 2013	$1,000	$ (220)	$ 780

Aggregate amortization expense on intangible assets for both the years ended December 31, 2014 and 2013, was $147.

(In Thousands)

The estimated amortization expense related to intangible assets as of December 31, 2014, is as follows:

2015	$147
2016	147
2017	147
2018	147
2019	45
	$633

6. Accrued Expenses

Accrued expenses consist of the following at December 31, 2014 and 2013:

	2014	2013
Salaries, wages, and bonuses	$2,083	$2,117
Commissions	51	90
Customer deposits	220	160
Sales tax	84	117
Other	7	7
	$2,445	$2,491

7. Related-Party Transactions

The Company has a corporate advisory services agreement with Platinum Equity Advisors, LLC ("Advisors"), an affiliate of Platinum, to provide management and other advisory services to DMSHT, PRAC, and the Company. The Company paid fees and other expenses of $1,044 and $1,100 to Advisors during the years ended December 31, 2014 and 2013, respectively. There were no outstanding payables for such fees and expenses as of December 31, 2014 or 2013.

8. Long-Term Debt and Credit Facility

Long-term debt consists of the following at December 31, 2014 and 2013:

	2014	2013
Note payable – JP Morgan Chase Agreement	$11,204	$13,676
Less current maturities of long-term debt	(2,472)	(2,472)
Long-term debt, less current portion	$ 8,732	$11,204

On May 24, 2012, the Company, as guarantor, and DMSHT, as borrower, entered into a credit agreement, as amended, with JP Morgan Chase (the "Credit Agreement"). The Credit Agreement expires on May 24, 2017. In accordance with DMSHT's business, the Credit Agreement provides for a variable-rate term loan, in the amount of $17,300, and variable-rate revolving loans up to $7,500, collateralized by substantially all assets of DMSHT. On May 19, 2014, DMSHT executed the third amendment to the Credit Agreement, which lowered the maximum amount of the variable-rate revolving loans from $15,000 to $7,500.

Borrowings under the term loan bear interest at London Interbank Offered Rate ("LIBOR") plus 1.5%. The rate is variable and subject to change on a periodic basis. The Credit Agreement contains certain financial covenants, including a fixed-charge coverage ratio and senior leverage ratio. At December 31, 2014, DMSHT was in compliance with all associated covenants. DMSHT is generally restricted from incurring additional debt, creating liens, transferring all or substantially all of its assets, or entering into merger or consolidation transactions other than permitted acquisitions, entering into specified transactions with affiliates, and entering into certain other transactions without written consent of the lender. In connection with the Credit Agreement, DMSHT incurred bank and other fees of $427, which were capitalized in 2012, as debt issuance costs and are being amortized over the term of the Credit Agreement using the effective-interest method.

(In Thousands)

Borrowings under the revolving loan are limited to a formula-based percentage advance rate on eligible accounts receivable and inventory, along with a reserve for outstanding letters of credit. Amounts borrowed under the revolving loan bear interest at DMSHT's option of adjusted prime rate or the Eurodollar Offered Rate. During both years ended December 31, 2014 and 2013, DMSHT was not advanced any funds under the revolver. DMSHT is also required to pay, on a monthly basis, a commitment fee of 0.15% per annum applied against the calculated unused credit facility. DMSHT has issued a $100 standby letter of credit in favor of Zurich American Insurance Company. At December 31, 2014, the standby letter of credit was $575, which was lowered by $475 in April 2015. At December 31, 2014, DMSHT had unused borrowing capacity under the revolver of $4,357.

At December 31, 2014, the aggregate contractual maturities of long-term debt were as follows:

2015	$ 2,472
2016	2,472
2017	6,260
	$11,204

9. Commitments and Contingencies

The Company leases medical imaging equipment and vehicles under noncancelable agreements that expire over a varying time period. In addition, the Company leases office and garage space. Generally, vehicle leases have terms of either 36 or 50 months, depending upon the type of vehicle. Office and garage space leases have varying terms ranging from month-to-month arrangements to 60 months. Medical imaging equipment leases have terms of 60 months. During the year ended December 31, 2014 and 2013, the Company incurred $2,545 and $3,709, respectively, of operating lease expense.

Approximate future minimum payments on all lease obligations as of December 31, 2014, are as follows:

2015	$989
2016	917
2017	210
2018	49

10. Stockholder's Equity

The Company has authorized capital stock of 1,000 shares, $0.01 par value, which are designated as common stock. As of December 31, 2014 and 2013, 100 shares of common stock were issued and outstanding. The Company paid dividends in the amount of $4,000 and $4,700 during the years ended December 31, 2014 and 2013, respectively, to certain private equity investment vehicles sponsored by Platinum Equity, LLC.

In March, October and November 2015, the Company paid dividends to certain private equity investment vehicles sponsored by Platinum Equity, LLC in the amount of $2,000, $15 and $12, respectively.

(In Thousands)

11. Employee Benefit Plan

The Company provides a 401(k) defined contribution plan pursuant to which eligible employees may elect to participate. Matching contributions by the Company are discretionary and determined annually. Matching contributions totaled $347 and $394 for the years ended December 31, 2014 and 2013, respectively.

12. Income Taxes

Income tax expense (benefit) for the years ended December 31, 2014 and 2013, consists of the following:

	2014	2013
Current income tax expense:		
Federal	$ 1,072	$3,787
State	294	462
Foreign	179	153
	1,545	4,402
Deferred income tax benefit:		
Federal	(4,705)	—
State	(910)	(1)
Foreign	—	—
	(5,615)	(1)
Income tax expense (benefit)	$(4,070)	$4,401

Reconciliation of income tax expense (benefit) with the federal statutory tax rate for years ended December 31, 2014 and 2013, was as follows:

	2014	2013
Federal income tax expense at statutory rate	$ 1,287	$2,633
State income taxes, net of federal benefit	169	350
Permanent items	65	63
Other	34	(95)
Change in valuation allowance	(5,625)	1,450
	$(4,070)	$4,401

The provision for (benefit of) income taxes differs from the amount obtained by applying the U.S. federal statutory income tax rate of 34% due primarily to state taxes, and principally a valuation allowance.

(In Thousands)

Net deferred tax assets (liabilities) consist of the following components as of December 31, 2014 and 2013:

	2014	2013
Deferred tax assets:		
Allowance for doubtful accounts	$ 168	$ 186
Section 263A adjustment	33	52
Inventory allowance	127	165
Accrued compensation	355	389
Depreciation	—	326
Intangibles and goodwill	626	920
Net Operating Loss (“NOL”) carryforward	4,519	3,669
Other	26	21
Foreign tax credit	173	198
	6,027	5,926
Deferred tax liabilities:		
Depreciation	(5)	—
Land	(167)	(167)
Prepaid expenses	(235)	(128)
	(407)	(295)
Valuation allowance	(173)	(5,798)
Net deferred tax assets (liabilities)	$5,447	$ (167)

The deferred tax amounts have been classified in the accompanying consolidated balance sheets as follows:

	2014	2013
Current assets	$ 598	$ —
Noncurrent assets	4,849	—
Current liabilities	—	(61)
Noncurrent liabilities	—	(106)
	$5,447	$(167)

The Company conducts an annual analysis of its deferred tax assets to determine whether all or any portion of the assets are more-likely-than-not unrealizable in accordance with ASC Topic 740, *Income Taxes*.

Based on an evaluation of available positive and negative information in 2013, the Company concluded that it was not more-likely-than-not that most of the deferred tax assets would be realized, and therefore provided a full valuation allowance at December 31, 2013. Based on the Company’s annual analysis in 2014, which reflected strengthening positive evidence including a three-year history of generating pretax profits and the Company’s projection of the income to be expected in future years, the Company concluded that it was more-likely-than-not that most of the deferred tax assets would be realized. As a result, in accordance with ASC 740, the Company recognized a $5,625 income tax benefit that resulted from the reversal of all but $173 of total deferred tax asset valuation allowance.

At December 31, 2014, the Company has federal and state NOL carryforwards of approximately $12,386 and $5,196, respectively. The federal and state loss carryforwards begin to expire in 2029 and 2017, respectively, unless utilized. At December 31, 2014, the Company has foreign tax credits of approximately $173 that begin to expire in 2022 and contain a full valuation allowance. Utilization of NOL and tax credit carryforwards to offset future taxable income in any one year may be limited upon the occurrence of certain substantial changes in ownership of the Company, as statutorily defined.

An ownership change occurred on March 1, 2012, resulting in a net built-in-loss under Internal Revenue Code (“IRC”) Section 382. As a result, the Company is subject to an annual limitation of $944. The Company generated realized built-in-losses in 2012-2014 that are included in the NOLs disclosed above. Pursuant to IRC Section 382, the Company has the potential to generate additional built-in-losses over a five-year period from the ownership change date.

The Company has adopted Accounting for Uncertainty in Income Taxes pursuant to ASC 740. The Company’s practice is to recognize interest and/or penalties related to income tax matters in income tax expense. During 2014, the Company recorded a noncurrent tax liability of $424 related to uncertain tax position and accrued interest of $13 as of December 31, 2014; the total amount of accrued interest and penalties is $23. The Company had no accrual for interest or penalties on the consolidated balance sheet as of December 31, 2013, and did not recognized interest and/or penalties in the consolidated statement of operations for the year ended December 31, 2013.

The Company does not believe its unrecognized tax benefits will significantly change during the next 12 months.

The Company is subject to taxation in the United States and various state jurisdictions. Due to NOL carryforwards, the Company is subject to examination by the Internal Revenue Service for tax years 2010 and forward. The Company is subject to examination by state tax authorities for tax years 2009, and forward.

On September 13, 2013, the U.S. Treasury Department released final income tax regulations on the deduction and capitalization of expenditures related to tangible property. These final regulations apply to tax years beginning on or after January 1, 2014. The Company adopted the tax treatment of expenditures to improve tangible property and the capitalization of inherently facilitative costs to acquire tangible property on January 1, 2014. The adoption was not material to the Company’s consolidated financial position, its results of operations, and its footnote disclosures.

13. Legal Matters

At times, the Company is subject to various claims and legal proceedings that generally involve claims related to product, intellectual property, employment-related matters, or general legal issues. In the opinion of management, these proceedings are matters incidental to the normal business conducted by the Company. Although the ultimate resolution of legal proceedings cannot be predicted with certainty, in the opinion of management, such proceedings are substantially covered by insurance, and the ultimate disposition of such proceedings are not expected to have a material adverse effect upon the Company’s consolidated financial condition.

14. Participation Plan and Sale of Company

Until May 13, 2013, the Company maintained a Participation Plan for certain executive employees at which point it was terminated pursuant to Section 15 of that plan.

In 2014, the Company adopted a new Participation Plan for certain executive employees. Under the new plan, participants were granted performance units, the value of which appreciate when and as the value of the Company increases from and after the date of grant, and this appreciation in value is the basis upon which incentive compensation could become payable upon the occurrence of either a qualifying sale event or a qualifying distribution event, as set forth in the plan. If a participating employee’s employment terminates for any reason, the employee’s participation units are forfeited.

No qualifying events occurred in either 2014 or 2013 that would have triggered any compensation expense with respect to these participation units.

15. Subsequent Events

On October 13, 2015, the Company entered into a definitive stock purchase agreement to sell all of the issued and outstanding common stock of the Company to Digirad Corporation for $36,000 in cash. The transaction closed on January 1, 2016, and triggered a payment of approximately $1,560 with respect to the performance units, of the Company maintained Participation Plan, on the closing date. The compensation expense is not reflected in the consolidated financial statements as of December 31, 2014.

In conjunction with the sale of the Company to Digirad Corporation, the outstanding balance of $9,350 under the Credit Agreement was paid off on January 4, 2016.

The Company has evaluated subsequent events through January 21, 2016, the date the consolidated financial statements were available to be issued and disclosed herein.

Exhibit 99.4

DIGIRAD CORPORATION
PRO FORMA FINANCIAL INFORMATION

On January 1, 2016 (“Closing Date”), Digirad Corporation (“Digirad”) acquired Project Rendezvous Holding Corporation (“PRHC”) for a purchase price of approximately $31.4 million, which includes adjustments for PRHC pre-existing debt, cash and preliminary working capital adjustments (the “Transaction”). In connection with the Transaction, Digirad obtained all the issued and outstanding common stock of PRHC. The Transaction was funded with a combination of cash-on-hand and the financing made available under the credit facility with Wells Fargo Bank, National Association (described below). The following unaudited pro forma condensed combined balance sheet as of December 31, 2015 and the unaudited pro forma condensed combined statement of income for the year ended December 31, 2015 are based on the historical financial statements of Digirad and PRHC using the acquisition method of accounting.

The unaudited condensed combined pro forma balance sheet as of December 31, 2015 gives effect to the Transaction as if it had occurred on December 31, 2015, and includes all adjustments that give effect to events that are directly attributable to the Transaction and are factually supportable. The unaudited pro forma condensed combined statement of income for the year ended December 31, 2015 give effect to the Transaction as if it had occurred on January 1, 2015, and include all adjustments that give effect to events that are directly attributable to the Transaction, are expected to have a continuing impact, and are factually supportable.

The unaudited pro forma condensed combined financial statements are presented for informational purposes only, in accordance with Article 11 of Regulation S-X, and are not intended to represent or to be indicative of the results of income or financial position that Digirad would have reported had the Transaction been completed as of the dates set forth in the unaudited pro forma condensed combined financial statements for a number of reasons, including but not limited to cost savings from operating efficiencies, synergies, and the impact of incremental costs incurred in integrating the two companies. In addition, the unaudited pro forma condensed combined balance sheet and statement of income does not purport to represent the future financial position of the Company’s consolidated information.

The unaudited pro forma condensed combined financial statements reflect management’s preliminary estimates of the fair values of tangible and intangible assets acquired and liabilities assumed, with the remaining purchase price recorded as goodwill. Independent valuation specialists have conducted analysis in order to assist management of the Company in determining the fair value of the acquired assets and liabilities. The Company’s management is responsible for these third party valuations and appraisals. Upon completion of the valuation for the Transaction, the Company may make additional adjustments, and these valuations could change significantly from those used in the pro forma condensed combined financial statements.

These unaudited pro forma condensed combined financial statements should be read in conjunction with Digirad’s historical consolidated financial statements and notes thereto contained in Digirad’s Annual Report on Form 10-K for the year ended December 31, 2015, Digirad’s Current Report on Form 8-K filed with the United States Securities and Exchange Commission on January 7, 2016, PRHC’s historical financial statements and notes thereto for the period ended December 31, 2015 contained herein as Exhibit 99.2.

DIGIRAD CORPORATION
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF DECEMBER 31, 2015
(in thousands)

	Digirad Historical	PRHC Historical	Pro Forma Adjustments		Digirad Pro Forma
Assets:					
Current assets:					
Cash and cash equivalents	$ 15,868	$ 6,842	$ 33,617	A	$ 13,653
			(31,368)	B	
			(9,350)	C	
			(1,556)	D	
			(400)	A	
Securities available-for-sale	3,227	—	—		3,227
Accounts receivables, net	7,274	6,686	—		13,960
Inventories, net	4,381	324	—		4,705
Income taxes receivable	—	2,062	(2,062)	E	—
Deferred tax assets	—	550	(550)	F	—
Other current assets	764	677	2,062	E	4,142
			(71)	G	
			710	A	
Restricted cash	233	—	—		233
Total current assets	31,747	17,141	(8,968)		39,920
Property and equipment, net	6,252	12,598	13,631	H	32,481
Restricted cash	—	100	—		100
Intangible assets, net	3,079	486	6,064	I	9,629
Goodwill	2,897	—	14	J	2,911
Long-term deferred tax assets	18,578	5,148	550	F	24,276
Long-term debt issuance costs, net	—	26	(26)	G	—
Other assets	1,560	—	(310)	A	1,250
Total assets	$ 64,113	$ 35,499	$ 10,955		$ 110,567
Liabilities:					
Current liabilities:					
Accounts payable	$ 1,369	$ 4,514	$ —		$ 5,883
Accrued compensation	2,453	—	2,609	K	5,062
Accrued warranty	213	—	—		213
Accrued expenses	—	2,946	(2,946)	K	—
Deferred revenue	1,673	1,836	—		3,509
Current portion of long-term debt	—	3,090	(3,090)	C	5,358
			5,358	A	
Other current liabilities	2,998	—	337	K	3,335
Total current liabilities	8,706	12,386	2,268		23,360
Long-term debt, less current portion	—	6,260	(6,260)	C	—
Income taxes payable, noncurrent	—	949	(949)	K	—
Deferred revenue	—	32	—		32
Debt	—	—	28,259	A	28,259
Other liabilities	1,252	—	949	K	4,761
			2,560	L	
Total liabilities	9,958	19,627	26,827		56,412
Stockholders' equity:					
Preferred stock, $0.0001 par value: 10,000,000 shares authorized;no shares issued or outstanding	—	—	—		—
Common stock, $0.0001 par value: 80,000,000 shares authorized; 19,416,070 shares issued and outstanding (net of treasury shares) at December 31, 2015	2	—	—		2
Treasury stock, at cost; 2,588,484 shares at December 31, 2015	(5,728)	—	—		(5,728)
Additional paid-in capital	153,860	3,000	(3,000)	M	153,860
Retained earnings		12,872	(12,872)	M	—
Accumulated other comprehensive loss	(240)	—	—		(240)
Accumulated deficit	(93,739)	—	—		(93,739)
Total stockholders' equity	54,155	15,872	(15,872)		54,155
Total liabilities and stockholders' equity	$ 64,113	$ 35,499	$ 10,955		$ 110,567

DIGIRAD CORPORATION
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015
(in thousands, expect per share amounts)

	Digirad Historical (See note below)	PRHC Historical	Pro Forma Adjustments		Digirad Pro Forma
Revenues:					
Services	$ 46,407	$ 50,894	$ —		$ 97,301
Product and product-related	14,419	16,886	—		31,305
Total revenues	60,826	67,780	—		128,606
Cost of revenues:					
Services	35,968	37,768	(94)	H	73,642
Product and product-related	6,949	8,475	—		15,424
Total cost of revenues	42,917	46,243	(94)		89,066
Operating expenses:					
Marketing and sales	4,741	4,908	—		9,649
General and administrative	9,888	10,672	(2,856)	N	17,704
Amortization of intangibles assets	506	—	1,361	I	1,867
Total operating expenses	15,135	15,580	(1,495)		19,571
Interest and other income, net	39	199	—		238
Interest and other expense, net	(296)	(261)	(1,149)	O	(1,706)
Income (loss) before income tax provision	2,517	5,895	440		8,852
Benefit (provision) for income taxes	19,123	(2,237)	(167)	P	16,719
Net income (loss)	$ 21,640	$ 3,658	$ 273		$ 25,571
Net income per common unit:					
Basic	$ 1.13				$ 1.33
Diluted	$ 1.10				$ 1.30
Weighted average common units outstanding:					
Basic	19,210				19,210
Diluted	19,690				19,690

Note: Digirad has changed its historical financial statement line items from Diagnostic Services and Diagnostic Imaging to Services and Product and product-related, respectively. Please note for the year ended December 31, 2015, revenues were $46,407 and $14,419 for Diagnostic Services and Diagnostic Imaging, respectively.

DIGIRAD CORPORATION
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Description of the Transaction and Basis of Presentation

The unaudited pro forma condensed combined financial statements have been prepared based on Digirad's and PRHC's historical financial information, giving effect to the Transaction and related adjustments described in these notes. In addition, certain items have been reclassified from PRHC's historical financial statements to align them with Digirad's financial statement presentation. PRHC prepares its consolidated financial statements in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). Certain note disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted as permitted by the Securities and Exchange Commission rules and regulations.

Digirad accounts for business combinations in accordance with Financial Accounting Standards Board Accounting Standards Codification ("ASC") 805, *Business Combinations*. The preliminary purchase price for the Transaction has been allocated to the assets and liabilities acquired based on a preliminary valuation of their respective fair values and may change when the final valuation of certain real property, intangible assets, and acquired working capital is determined.

In addition, in connection with the Transaction, on January 1, 2016, Digirad entered into a Credit Agreement (the "Credit Agreement") by and among Digirad, certain subsidiaries of Digirad identified on the signature pages of the Credit Agreement as "Borrowers" (each, a "Borrower", and collectively, together with Digirad, the "Borrowers"), the lenders party thereto (the "Lenders"), Wells Fargo Bank, National Association ("Wells Fargo") as administrative agent ("Agent") and as sole lead arranger and sole book runner.

The Credit Agreement is a five-year credit facility (maturing in January 2021) with a maximum credit amount of $40,000,000 (the "Credit Facility"). The Company's two subsidiaries who are not Borrowers under the Credit Agreement are guarantors under the Credit Facility. The Credit Facility consists of a term loan of $20,000,000 ("Term Loan A"), a second term loan of $7,500,000 ("Term Loan B"), and a revolving credit facility with a maximum commitment of $12,500,000 (the "Revolver"). Under the Revolver, Borrowers can request the issuance of letters of credit in an aggregate amount not to exceed $1,000,000 at any one time outstanding. Agent may increase this limit up to $2,000,000 at any time in its sole discretion upon written request from Borrowers.

At the Borrower's option, the Credit Facility will bear interest at either (i) the LIBOR Rate, as defined in the Credit Agreement, plus a margin of 2.5% for Term Loan A, 5.0% for Term Loan B, and 2.0% for the Revolver; or (ii) the Base Rate, as defined below, plus a margin of 1.5% for Term Loan A, 4.0% for Term Loan B, and 1.0% for the Revolver. As used in this Current Report on Form 8-K and in the Credit Agreement, "Base Rate" means the greatest of (a) the Federal Funds Rate (as defined in the Credit Agreement) plus 0.5%, (b) the LIBOR Rate (which rate will be calculated based upon an interest period of one month and will be determined on a daily basis), plus 1%, and (c) the rate of interest announced, from time to time, within Wells Fargo at its principal office in San Francisco as its "prime rate".

Pro Forma Adjustments

A. Reflects the draw on the Credit Facility as follows: $20 million on Term Loan A, $7.5 million on Term Loan B, and $6.1 million on the Revolver. In addition, this adjustment reflects $0.4 million of financing costs related to the Credit Facility incurred on the Closing Date, which are capitalized within other assets. Also, Digirad incurred $0.8 million of financing costs related to the Credit Agreement for the year ended December 31, 2015 prior to the Closing Date, which are capitalized within long-term other assets as of December 31, 2015. Total deferred financing costs of $1.2 million are comprised of $0.7 million of short-term deferred financing costs and $0.5 million of long-term deferred financing costs.

B. Reflects cash consideration paid on the Closing Date for the Transaction, after adjusting for payment of existing debt and equity award liabilities and for estimated adjustments in closing cash and working capital.

C. Reflects the cash payment to settle PRHC's pre-existing debt in connection with the Transaction.

D. The payment of $1.6 million is comprised of a one-time payment related to PRHC's pre-existing stock award plan. PRHC's stock award plan includes a provision for the acceleration of vesting of awards under certain circumstances in connection with a change in control. Adjustments have been made to the unaudited pro forma condensed combined balance sheet as a result of this provision. No adjustments have been made to the unaudited pro forma condensed combined statement of income, as this cost does not have an ongoing impact to the financial statements.

E. Reflects the reclassification of PRHC's income taxes receivable to other current assets to conform to Digirad's financial statement presentation.

F. Reflects the adjustment of PRHC's deferred tax assets to long-term deferred tax assets to conform to Digirad's financial statement presentation.

G. Reflects the elimination of PRHC's historical deferred financing costs.

H. Reflects the preliminary fair value adjustments for property, plant, and equipment, which is mainly comprised of personal property, and the related pro forma depreciation expense adjustments. Pro forma depreciation expense is calculated based on an average remaining useful life of 3 to 10 years for the acquired assets (in thousands, except useful life):

	Historical Amounts	Fair Value Adjustment	Fair Value	Average Remaining Useful Life	Pro Forma Depreciation Expense
Land	$ 560	$ 610	$ 1,170		$ —
Buildings	1,348	485	1,833	10	183
Improvements	8	466	474	10	47
Operating equipment	9,822	10,679	20,501	5.2	3,943
Office equipment	731	(54)	677	3	226
Vehicles	129	1,445	1,574	3	525
Total	$12,598	$ 13,631	$26,229		4,924
			Less: PRHC's historical depreciation expense		(5,018)
			Decrease to pro forma depreciation expense		$ (94)

I. Reflects the preliminary adjustment to record the fair value of identifiable intangible assets and related amortization expense adjustments, as follows (in thousands, except useful life):

	Fair Value	Remaining Useful Life	Pro Forma Amortization Expense
Philips Contract	$ 1,355	3.3	$ 411
Trade Name	2,425	6	404
Customer Relationship	2,770	7	693
Total	$ 6,550		1,508
Less: PRHC's historical amortization expense			(147)
Increase to pro forma amortization expense			$ 1,361

In addition, the Philips Contract and the Trade Name are amortized using the straight-line method, and the Customer Relationship is amortized using an accelerated method.

J. Reflects the preliminary purchase price allocation and recognition of goodwill arising from the Transaction as follows (in thousands):

Total consideration to be allocated	$ 31,368
Less: Estimated fair value of assets acquired:	
Current assets	$(17,070)
Depreciable fixed assets	(26,229)
Trade names	(2,425)
Customer relationships	(2,770)
Philips distribution contract	(1,355)
Other assets	(5,248)
Plus Assumed liabilities:	
Currency liabilities	9,296
Debt	9,350
Other long-term liabilities	3,541
PRHC stock award plan payment (See adjustment D)	1,556
Goodwill	$ 14

K. Reflects reclassification of PRHC's historical accrued expenses into accrued compensation and other current liabilities, and income taxes payable, noncurrent to other liabilities to conform to Digirad's financial statement presentation.

L. Reflects the tax impact of the pro forma adjustments based on a blended statutory rate of approximately 38% that are included in other long-term liabilities and within note J.

M. Reflects the elimination of PRHC's historical stockholders' equity balances.

N. Reflects elimination of Digirad's and PRHC's transaction-related expenses that are included within historical general and administrative expense, as well as a management fee charged by Platinum Equity to PRHC.

O. Reflects the adjustment of $1.0 million to increase interest expense for the year ended December 31, 2015, related to the Credit Facility, and the associated amortization of $0.4 million related to total deferred financing costs of $1.2 million as noted in Adjustment A, which is amortized over approximately 36 – 60 months based on the terms of Term Loan A, Term Loan B and the Revolver. In addition, PRHC's historical interest expense for the year ended December 31, 2015 was eliminated as PRHC's pre-existing debt was settled in connection with the Transaction. Refer to the table below (in thousands):

	Year Ended December 31, 2015
Interest on draw of $33.6 million from the Credit Facility with Wells Fargo, N.A.	$ 1,047
Amortization of $1.2 million deferred financing costs from the Credit Facility	363
Total interest expense	1,410
Less:	
Historical PRHC's interest expense	(261)
Net pro forma adjustment to interest expense	$ 1,149
Impact of a 1/8% increase in interest rate	$ 39
Impact of a 1/8% decrease in interest rate	$ (39)

P. Reflects the tax impact of the Transaction based on a blended statutory rate of approximately 38%.