

---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, DC 20549

---

**FORM 8-K**

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

**Date of Report (Date of earliest event reported)**

**December 14, 2006**

---

**DIGIRAD CORPORATION**

**(Exact name of registrant as specified in its charter)**

**Delaware**  
**(State or other jurisdiction of**  
**incorporation)**

**000-50789**  
**(Commission File Number)**

**33-0145723**  
**(IRS Employer**  
**Identification No.)**

**13950 Stowe Drive**  
**Poway, California 92064**  
**(Address of principal executive offices, including zip code)**

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

**N/A**  
**(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))
-

---

**Item 1.01. Entry into a Material Definitive Agreement.**

On December 13, 2006, Digirad Corporation (the “Company”) and Mark L. Casner, a member of the Company’s board of directors and the President and Chief Executive Officer of the Company, executed a Third Amendment to Executive Employment Agreement to amend the terms of payment of Mr. Casner’s moving expenses. Pursuant to the Third Amendment, the Company will pay Mr. Casner on or about January 2, 2007 an aggregate moving expense payment of \$151,084 and thereafter no further moving and relocation payments shall be due to Mr. Casner under the Executive Employment Agreement.

All other terms of such officer’s employment arrangements are unchanged.

The description of the Third Amendment to Executive Employment Agreement in this current report is qualified in its entirety by reference to Mr. Casner’s Third Amendment to Executive Employment Agreement, attached hereto as Exhibit 10.1.

**Item 9.01 Financial Statements and Exhibits.**

(d) *Exhibits.*

<u>Exhibit No.</u>	<u>Description</u>
10.1	Third Amendment to Executive Employment Agreement.

---

**SIGNATURES**

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

**DIGIRAD CORPORATION**

By: /s/ Todd P. Clyde

**Todd P. Clyde**  
**Chief Financial Officer**

Date: December 14, 2006

**THIRD AMENDMENT TO  
EXECUTIVE EMPLOYMENT AGREEMENT**

THIS THIRD AMENDMENT TO EXECUTIVE EMPLOYMENT AGREEMENT (the "Amendment") is made and entered into effective as of January 2, 2007 by and between Digirad Corporation, a Delaware Corporation (the "Company") and Mark Casner ("EXECUTIVE"). The Company and EXECUTIVE are hereinafter collectively referred to as the "Parties," and individually referred to each or any as a "Party."

**RECITALS**

A. WHEREAS, in order to attract EXECUTIVE to leave his employment, sell his home in Minnesota and move to California to enter into employment with the Company, EXECUTIVE'S Employment Agreement dated September 14, 2005, as amended (the "Agreement") provided in Section 3.4.3 that the Company would pay EXECUTIVE certain relocation and moving expenses, including standard realtor's fees incurred in selling his Minnesota home in an amount "grossed up" to avoid tax expenses to EXECUTIVE; and

B. WHEREAS, EXECUTIVE has moved to and purchased a new home in California but, unexpectedly, has been unable to sell his Minnesota home since September 2005, thus incurring costs associated with maintaining two homes; and

C. WHEREAS, the Company has paid EXECUTIVE all moving expenses otherwise due under the Agreement except for the realtor's fees to be incurred in selling his Minnesota home; and

D. WHEREAS, because the Company desires to retain EXECUTIVE's services and alleviate his unanticipated burden of having incurred the costs associated with maintaining two homes, the COMPANY wishes to pay, and EXECUTIVE wishes to receive, all of EXECUTIVE's anticipated moving expenses at this time.

**AGREEMENT**

NOW, THEREFORE, in consideration of the promises and the mutual covenants herein contained, and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Parties, intending to be legally bound, agree as follows:

1. Final Moving Expense Payment. On or about January 2, 2007, the Company shall pay EXECUTIVE the amount of \$151,084 (the "Final Moving Expense Payment"), consisting of (a) \$90,650, the estimated amount of realtor's fees EXECUTIVE will incur in selling his home in Minnesota, and (b) \$64,434, the approximate amount required to "gross up" these fees to allow EXECUTIVE to avoid tax expenses on the payment. The Parties agree that the Final Moving Expense Payment shall be made in lieu of, and not in addition to, the payment of realtor's fees to be incurred in selling his home in Minnesota that would otherwise be due under the Agreement. The Parties further agree that, after the Company has made the Final Moving Expense Payment, no further payments of any kind shall be due EXECUTIVE under Section 3.4.3 of the Agreement.

---

All other terms and conditions of the Agreement shall remain unchanged and in effect.

THE COMPANY:  
DIGIRAD CORPORATION  
a Delaware Corporation

EXECUTIVE:  
MARK CASNER

By: /s/ Timothy J. Wollaeger  
Chairman, Board of Directors

/s/ Mark Casner  
Chief Executive Officer

Date: December 13, 2006

Date: December 13, 2006