

DIGIRAD CORP

FORM 8-K (Current report filing)

Filed 02/28/17 for the Period Ending 02/22/17

Address	1048 INDUSTRIAL COURT SUWANEE, GA 30024
Telephone	(858) 726-1600
CIK	0000707388
Symbol	DRAD
SIC Code	3845 - Electromedical and Electrotherapeutic Apparatus
Industry	Advanced Medical Equipment & Technology
Sector	Healthcare
Fiscal Year	12/31

**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: February 22, 2017
(Date of earliest event reported)

DIGIRAD CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation)

001-35947

(Commission File Number)

33-0145723

(IRS Employer
Identification No.)

**1048 Industrial Court,
Suwanee, GA 30024**

(Address of principal executive offices, including zip code)

(858) 726-1600

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On February 22, 2017, the Compensation Committee (the "Compensation Committee") of the Board of Directors (the "Board") of Digirad Corporation (the "Company"), recommended for approval, and the Board approved and adopted the Company's 2017 Executive Incentive Bonus Plan (the "2017 Executive Incentive Plan").

Base Salary

As part of the adoption of the 2017 Executive Incentive Plan, the Compensation Committee reviewed and recommended for Board approval, and the Board did approve, increases in the annual base salaries of Matthew G. Molchan, the Company's President and Chief Executive Officer; Jeffrey R. Keyes, the Company's Chief Financial Officer and Corporate Secretary; Virgil J. Lott, the Company's President, Diagnostic Imaging and Martin B. Shirley, President of Digirad Imaging Solutions, Inc. Mr. Molchan's base salary was increased from \$346,000 per year to \$415,200 per year; Mr. Keyes' base salary was increased from \$276,450 per year to \$331,740 per year; Mr. Lott's base salary was increased from \$250,000 per year to \$260,000 per year; and Mr. Shirley's base salary was increased from \$215,000 to \$260,000 per year.

Cash Bonus

Cash bonus payouts for our named executive officers, pursuant to the 2017 Executive Incentive Plan, will be based on a percentage of base salary and payable based on the achievement of certain performance targets, as described in further detail below:

	<u>Cash Target Bonus</u>	<u>Target % of Salary</u>
Matthew G. Molchan	\$ 224,208	54 %
Jeffrey R. Keyes	\$ 159,235	48 %
Virgil J. Lott	\$ 78,000	30 %
Martin B. Shirley	\$ 78,000	30 %

For each of Messrs. Molchan and Keyes, the amount of total cash bonus payable under the 2017 Executive Incentive Plan will be based on achievement of a target 2017 consolidated Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") measure. For Mr. Lott, the amount of total cash bonus payable under the 2017 Executive Incentive Plan will be based on achievement of certain targets with specified weighting as follows: (a) 50% as to 2017 consolidated EBITDA; (b) 35% as to 2017 EBITDA measure associated with the Diagnostic Imaging business unit; and (c) 15% as to 2017 EBITDA measure of service activity associated with the Medical Device Sales and Service business unit. For Mr. Shirley, the amount of total cash bonus payable under the 2017 Executive Incentive Plan will be based on achievement of certain targets with specified weighting as follows: (a) 50% as to 2017 consolidated EBITDA; and (b) 50% as to 2017 EBITDA measure associated with the Diagnostic Services business unit. In order to be eligible for a minimum of 25% of the target bonus payout under the 2017 Executive Incentive Plan, the Company must achieve the minimum threshold objective of 90% of a target for consolidated EBITDA, calculated before impact of bonuses, subject to the other provisions of the 2017 Executive Incentive Plan. Each named executive officer may earn up to 175% of their target bonus based on achievement of their respective EBITDA measures.

The actual bonuses payable (if any) for the achievement of such objectives will be determined by the Compensation Committee, and will be payable upon the completion of the financial audit of the consolidated financial statements, but in any event not later than March 15, 2018, subject to each such named executive officer's employment through the date of payment.

The target bonus percentage for Messrs. Molchan and Keyes, as a percentage of base salary, decreased 36% and 12% from their previous levels of 90% and 60% of base compensation, respectively. Mr. Lott's target bonus percentage, as a percentage of base salary, decreased 20% from the previous level of 50% of base compensation to 30% of base compensation. Mr. Shirley's target bonus percentage, as a percentage of base salary, decreased 30% from the previous levels of 60% of base compensation to 30% of base compensation. The cash bonus targets for our named executive officers, pursuant to the 2017 Executive Incentive Plan, were approved by the Board after being reviewed by the Compensation Committee and recommended for Board approval.

Equity Grants

In connection with the adoption of the 2017 Executive Incentive Plan, the Compensation Committee decided that, as part of a long-term retention mechanism and to incentivize the named executive officers to increase the Company's shareholder value, the following restricted stock units (the "RSUs") will be awarded effective on February 28, 2017 (the "Grant Date"), to the named executive officers listed below. Half of such RSU grants will vest over 4 years in 4 equal installments, with each such installment vesting on each anniversary of the Grant Date. The remaining half of such RSU grants will vest over 4 years in 4 equal installments, with each such installment vesting on each anniversary of the Grant Date, subject to satisfaction of certain 2017 performance criteria objectives. Each RSU grant will be made pursuant to and subject to the terms of the 2017 Executive Incentive Plan, the Company's 2014 Equity Incentive Award Plan, and the respective award agreement that sets forth the terms of the grant.

Named Executive Officer	Restricted Stock Units Granted
Matthew G. Molchan	83,923
Jeffry R. Keyes	52,937
Virgil J. Lott	22,128
Martin B. Shirley	22,128

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/ Jeffrey R. Keyes

Jeffrey R. Keyes
Chief Financial Officer

Date: February 28, 2017