

## **DIGIRAD CORPORATION**

### **The Compensation Committee Charter As Amended and Restated on April 29, 2015**

#### **PURPOSE AND POLICY**

The purpose of the Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of Digirad Corporation (the “Company”) shall be to act on behalf of the Board in fulfilling the Board’s responsibilities to oversee the Company’s compensation policies, plans and programs, and to review and determine the compensation to be paid to the Company’s executive officers and directors. For purposes of this Charter, the term “compensation” shall include, but not be limited to, salary, deferred payment arrangements, retention programs, long-term incentives, bonuses, perquisites, equity incentives, severance arrangements, retirement benefits and other related employee benefits and benefit plans.

The policy of the Committee shall be as follows:

- (a) **Compensation Structure.** The Committee shall seek to maintain an overall compensation structure designed to attract, retain and motivate management and other employees by providing appropriate levels of risk and reward in both the short and long term, assessed on a relative basis at all levels within the Company and in proportion to individual contribution and performance, and
- (b) **Long-Term Focus.** The Committee shall seek to establish appropriate incentives for management and employees at all levels to further the Company’s long-term strategic plan and long-term value as a going concern and to avoid undue emphasis on short-term market value, and
- (c) **Accountability and Company Values.** The Committee shall ensure that compensation programs are designed to encourage high performance, promote accountability and adherence to Company values and the Company’s Code of Business Conduct and Ethics.

#### **MEMBERSHIP**

The Committee shall consist of at least two (2) members of the Board. All members of the Committee must:

- (a) satisfy the independence requirements of the NASDAQ Stock Market (“NASDAQ”), as in effect from time to time;
- (b) meet the “non-employee director” standard within the meaning of Section 16b-3 of the Securities Exchange Act of 1934, as amended from time to time (the “Exchange Act”); and
- (c) meet the “outside director” standard within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended from time to time (the “Code”).

Each member shall also meet any additional independence and/or experience requirements as may be established from time to time by NASDAQ and applicable to the Committee. Notwithstanding the foregoing, to the extent that the Committee is comprised of at least three (3) members, one (1) director who (a) is not independent as defined in NASDAQ Listing Rule 5605(a)(2) and (b) is not a current

officer or employee of the Company or Family Member (as defined in NASDAQ Listing Rule 5605(a)(2)) of such an officer or employee, may be appointed to the Committee if the Board, under exceptional and limited circumstances, determines that membership on the Committee by the individual is required by the best interests of the Company and its stockholders, and the Board discloses, in the Company's next annual proxy statement subsequent to such determination, the nature of the relationship and the reasons for that determination. A member appointed under the exception set forth in the preceding sentence must not serve longer than two (2) years.

Committee members shall be appointed by the Board. The Board may, at any time with or without cause, remove any member of the Committee and fill the vacancy created by such removal. The Committee's chairman shall be appointed by a majority of the full Board. Any Committee member may resign by giving oral or written notice to the Chairman of the Board, the Company's Secretary or the Board.

## **MEETINGS AND MINUTES**

The Committee shall hold at least one (1) meeting each year and shall hold such other regular or special meetings either in person or telephonically. Unless the Committee by resolution determines otherwise, any action required or permitted to be taken by the Committee may be taken without a meeting if all members consent thereto in writing and the writing or writings are filed with the minutes of the proceedings of the Committee. The Committee's chairperson shall determine the agenda and length of meetings, and shall establish such other rules as may from time to time be necessary and proper for the conduct of the business of the Committee. In the absence of the designated chairperson at any meeting of the Committee, the members present at such meeting shall designate a chairperson pro tem to serve in that capacity for the purposes of such meeting (not to include any adjournment thereof) by majority vote. Minutes of each meeting of the Committee shall be prepared after each meeting. Minutes of each meeting and any action taken by written consent shall be distributed to each director of the Company and the Secretary of the Company after each meeting or action, as the case may be. The Secretary of the Company shall retain the original signed minutes or actions for filing with the corporate records of the Company. The chairperson of the Committee shall report to the Board from time to time and whenever requested to do so by the Board. The majority of the members of the Committee shall constitute a quorum of the Committee.

## **ACCESS TO INFORMATION AND RESOURCES**

The Committee shall have full access to all books, records, facilities and personnel of the Company as deemed necessary or appropriate by any member of the Committee to discharge his or her responsibilities hereunder. The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, legal counsel and other adviser retained by the Committee. Without limitation, the Committee shall have the authority to retain or terminate any consulting firm used to evaluate director, Chief Executive Officer or other executive compensation, and to determine and approve the terms of engagement the fees and costs for such engagements. All such consultants retained by the Committee shall report directly to the Committee. The Committee may request any officer or employee of the Company or any outside counsel or consultants to meet with any members of the Committee or to be present at scheduled meetings of the Committee. The Company shall provide for appropriate funding, as determined by the Committee, for payment of reasonable compensation to a compensation consultant, legal counsel or any other adviser retained by the compensation committee. Other reasonable expenditures for external resources that the Committee deems necessary or appropriate in the performance of its duties are permitted. Expenditures for external resources that are expected to be material and outside the ordinary course of the Committee's practices

shall be recommended by the Committee for the approval of the Board. The Company shall provide the Committee such staff support as it may require.

The Committee may select, or receive advice from, a compensation consultant, legal counsel or other adviser to the Committee, other than in-house legal counsel, only after taking into consideration the following factors:

- (i) the provision of other services to the Company by the person that employs the compensation consultant, legal counsel or other adviser;
- (ii) the amount of fees received from the Company by the person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser;
- (iii) the policies and procedures of the person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest;
- (iv) any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the compensation committee;
- (v) any stock of the Company owned by the compensation consultant, legal counsel or other adviser; and
- (vi) any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with an executive officer of the Company.

## **DELEGATION OF AUTHORITY**

The Committee may form and delegate authority to subcommittees as appropriate, including, but not limited to, a subcommittee composed of one or more members of the Board to grant awards of stock incentives, stock options or other equity-based awards under the Company's equity incentive plans, to persons who are not (a) "Covered Employees" under Section 162(m) of the Code, (b) individuals with respect to whom the Company wishes to comply with Section 162(m) of the Code, or (c) then subject to Section 16 of the Exchange Act. Each subcommittee shall keep regular minutes of its meetings and report the same to the Committee or the Board. The operation of the Committee shall be subject to the Bylaws of the Company as in effect from time to time and Section 141 of the General Corporation Law of the State of Delaware. The approval of this Compensation Committee Charter shall be construed as a delegation of authority to the Committee with respect to the responsibilities set forth herein.

## **DUTIES AND RESPONSIBILITIES**

To implement the Committee's purpose and policy, the Committee shall be charged with the following duties and responsibilities. The Committee may supplement and, except as otherwise required by applicable law or the requirements of NASDAQ, deviate from these activities as appropriate under the circumstances:

1. *Overall Compensation Strategy.* The Committee shall review, modify (as needed) and approve the overall compensation strategy and policies for the Company, including, but not limited to:

- (a) evaluating and, in its reasonable business judgment, recommending for the Board's approval the compensation plans and programs advisable for executive officers and other senior management of the Company, as well as modification or termination of such existing plans and programs, subject to obtaining stockholder approval of such plans or programs as deemed necessary or advisable by the Committee;
- (b) taking into account corporate performance goals and objectives, which shall support and reinforce the Company's long-term strategic goals, as deemed necessary or advisable by the Committee in connection with the compensation of the Company's executive officers and other senior management; and
- (c) evaluating the efficacy of the Company's compensation policy and strategy in achieving expected benefits to the Company and otherwise furthering the Committee's policy.

2. *Compensation of Chief Executive Officer.* The Committee, meeting outside the presence of the Chief Executive Officer, shall review and recommend for Board approval the compensation and other terms of employment of the Company's Chief Executive Officer. In evaluating and recommending compensation of the Chief Executive Officer, the Committee shall consider the results of the most recent stockholder advisory vote on executive compensation ("Say on Pay Vote") required by Section 14A of the Exchange Act. The Committee shall evaluate the Chief Executive Officer's performance in light of relevant individual and corporate performance goals and objectives, taking into account, among other things, the policy of the Committee and the Chief Executive Officer's performance in:

- (a) fostering a corporate culture that promotes the highest levels of integrity and the highest ethical standards;
- (b) developing and executing the Company's long-term strategic plan and conducting the business of the Company in a manner appropriate to enhance long-term stockholder value;
- (c) achieving any other corporate performance goals and objectives deemed by the Committee to be relevant to the Chief Executive Officer; and
- (d) achieving the Chief Executive Officer's individual performance goals and objectives.

3. *Compensation of Other Executive Officers.* The Committee shall review and recommend for Board approval the compensation and other terms of employment of the Company's executive officers; taking into consideration the results of the most recent Say on Pay Vote, each executive officer's success in achieving his or her individual performance goals and objectives and the corporate performance goals and objectives deemed relevant to the executive officer, as well as in fostering a corporate culture that promotes the highest levels of integrity and the highest ethical standards. The Committee shall, in particular, review and recommend for Board approval the terms of any employment agreements, severance arrangements, change-of-control protections and any other compensatory arrangements for the Company's executive officers, taking into consideration the results of the most recent Say on Pay Vote. The Chief Executive Officer may be present during Committee deliberations regarding compensation arrangements for other executive officers.

4. *Compensation of Directors.* The Committee shall periodically review and, in its reasonable business judgment, either recommend to the Board or approve the type and amount of compensation to be paid or awarded to Board members, including consulting, retainer, Board meeting, committee and committee chair fees and equity incentives.

5. *Administration of Benefit Plans.* The Committee shall, in its reasonable business judgment, either recommend to the Board or approve the adoption, amendment and termination of the Company's stock option plans, stock appreciation rights plans, pension and profit sharing plans, incentive plans, stock bonus plans, stock purchase plans, bonus plans, deferred compensation plans and similar programs, taking into consideration the results of the most recent Say on Pay Vote. The Committee shall have full power and authority to administer these plans, establish guidelines, interpret plan documents, select participants, approve grants and awards, and exercise such other power and authority as may be permitted or required under such plans.

The Committee shall review the Company's incentive compensation arrangements to determine whether they encourage excessive risk-taking, reviewing and discussing at least annually the relationship between the Company's risk management policies and practices and compensation, and evaluating compensation policies and practices that could mitigate any such risk.

6. *Say on Pay Votes Frequency.* The Committee shall review and recommend to the Board for approval the frequency with which the Company will conduct Say on Pay Votes, taking into account the results of the most recent stockholder advisory vote on frequency of Say on Pay Votes required by Section 14A of the Exchange Act, and review and approve the proposals regarding the Say on Pay Vote and the frequency of the Say on Pay Vote to be included in the Company's proxy statement.

7. *Regulatory Requirements.* The Committee shall oversee the Company's compliance with regulatory requirements and regulatory developments affecting compensation, including those of the Securities and Exchange Commission ("SEC") and any exchange on which the Company's securities are listed (or, if none, the rules and requirements of NASDAQ), associated with compensation of its officers and employees.

If the Company is required by applicable law or regulations to include a Compensation Discussion and Analysis ("CD&A") or a Compensation Committee Report in the Company's annual report on Form 10-K or proxy statement relating to the annual meeting of stockholders, the Committee shall:

- (a) Review and discuss with management any CD&A, and based on such review and discussions, determine whether to recommend to the Board that such CD&A be included in the Company's annual report on Form 10-K or proxy statement relating to an annual meeting of stockholders.
- (b) Review and approve any Compensation Committee Report required to be included in the Company's proxy statement relating to an annual meeting of stockholders or annual report on Form 10-K.

8. *Succession Planning.* Review annually succession plans relating to positions held by executive officers and make recommendations to the Board regarding the selection of individuals to fill these positions.

9. *Insurance Coverage.* The Committee shall review and establish appropriate insurance coverage for the Company's directors and officers.

10. *Committee Self-Assessment.* The Committee shall review, discuss and assess its own performance at least annually. The Committee shall also periodically review and assess the adequacy of this Charter and shall recommend any proposed changes to the Board for its consideration.

11. *Annual Reporting.* The Committee shall prepare and review the Committee report included in the Company's annual proxy statement in accordance with applicable rules and regulations of the SEC in effect from time to time.

12. *Recommendations.* The Committee shall make recommendations to the Board on compensation matters, as the Compensation Committee deems appropriate.

13. *Other.* The Committee may:

- (a) perform any other activities under this Charter, the Company's By-laws or governing law as the Committee or the Board deems appropriate or if regulatory requirements change; and
- (b) diverge from the specific activities outlined throughout this Charter as appropriate if circumstances, as determined in the reasonable judgment of the Committee, warrant or if regulatory requirements change or are not applicable. In addition to these activities, the Committee will perform such other functions as necessary or appropriate under law, regulations, stock exchange rules, Company charter, by-laws, resolutions and other directives of the Board or as determined by the Committee to be reasonably appropriate to accomplish the purpose of the Committee. The Committee may adopt such procedures as it deems appropriate and necessary to carry out the duties and responsibilities of the Committee.