

DIGIRAD CORPORATION

The Compensation Committee Charter

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 of Directors. All members of the Committee must:

- (a) satisfy the independence requirements of The Nasdaq National 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 NASD Marketplace Rule 4200 and (b) is not a current officer or employee of the Company or Family Member (as defined in NASD Marketplace Rule 4200(a)(14)) 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.

The Board shall appoint, and may remove, members of the Committee. Any Committee member may resign by giving oral or written notice to the Chairman of the Board, the Company's Secretary or the Board. The Board shall fill vacancies occurring on the Committee. The Board shall designate the Committee's chairperson.

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. In discharging its responsibilities, the Committee shall have the authority to, as it deems appropriate, select, retain and/or replace, as needed, compensation and benefits consultants and other internal or external legal, accounting or other advisors and consultants, all at the Company's expense. 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.

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 Delaware General Corporation Law. 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 and 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 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. 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. 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.

6. *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.

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

8. *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.

9. *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.