

DIGIRAD CORP
Form SC TO-I
June 11, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE TO

Tender Offer Statement Under Section 14(d)(1) or 13(e)(1)
of the Securities Exchange Act of 1934

Digirad Corporation

(Name of Subject Company (Issuer) and Filing Person (Offeror))

Options to Purchase Common Stock, \$0.0001 per share

(Title of Class of Securities)

253827109

(CUSIP Number of Class of Securities Underlying Options)

Edgar Filing: DIGIRAD CORP - Form SC TO-I

Richard B. Slansky

Chief Financial Officer

Digirad Corporation

13950 Stowe Drive

Poway, California 92064

(858) 726-1600

(Name, address and telephone numbers of person authorized to receive notices and communications on behalf of filing persons)

Copies to:

Martin J. Waters

Wilson Sonsini Goodrich & Rosati

Professional Corporation

12235 El Camino Real, Suite 200

San Diego, California 92130

(858) 350-2300

CALCULATION OF FILING FEE

Transaction Valuation*
\$804,648.33

Amount of Filing Fee
\$44.90

* Estimated solely for purposes of determining the filing fee. This amount assumes that options to purchase 1,166,157 shares of the Issuer's common stock having an aggregate value of \$0.69 based on the Black-Scholes option pricing model as of June 10, 2009 will be exchanged or cancelled pursuant to this offer. The amount of the filing fee, calculated in accordance with the Securities Exchange Act of 1934, as amended, equals \$55.80 for each \$1,000,000 of the value of the transaction.

** Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Edgar Filing: DIGIRAD CORP - Form SC TO-I

Amount Previously Paid: Not applicable.
Form or Registration No.: Not applicable.
Filing party: Not applicable.
Date filed: Not applicable.

Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.
Check the appropriate boxes below to designate any transactions to which the statement relates:

third party tender offer subject to Rule 14d-1.

issuer tender offer subject to Rule 13e-4.

going-private transaction subject to Rule 13e-3.

amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer:

This Tender Offer Statement on Schedule TO relates to an offer by Digirad Corporation, a Delaware corporation, (Digirad) to exchange options (the Exchange Offer) to purchase up to an aggregate of 1,166,157 shares of its common stock, whether vested or unvested, that were granted to eligible employees with an exercise price less than \$10.11 but greater than \$3.11. These options are referred to herein as the Eligible Options. Each new option will be granted pursuant to Digirad s 2004 Stock Incentive Plan. An eligible employee refers to an employee (including an executive officer) of Digirad (which, for purposes of this offer, includes all subsidiaries of Digirad) as of the commencement of the offer and through the expiration date. The members of our board of directors are not eligible employees and may not participate in the offer.

Attached hereto as Exhibit (a)(1)(A) is the Offer to Exchange Certain Outstanding Options for New Options, dated June 11, 2009 (the Offer to Exchange). The information in the Offer to Exchange, including all schedules thereto, is incorporated herein by reference to answer the items required in this Schedule TO. Digirad is making the offer upon the terms and subject to the conditions set forth in the Offer to Exchange and in the related accompanying Election Form, attached hereto as Exhibit (a)(1)(C).

Item 1. Summary Term Sheet.

The information set forth under the caption Summary Term Sheet and Questions and Answers in the Offer to Exchange is incorporated herein by reference.

Item 2. Subject Company Information.

(a) *Name and Address.*

Digirad is the issuer of the securities subject to the Exchange Offer. The address of Digirad s principal executive office is 13950 Stowe Drive, Poway, California 92064, and the telephone number at that address is (858) 726-1600. The information set forth in the Offer to Exchange under the caption The Offer Information concerning Digirad is incorporated herein by reference.

(b) *Securities.*

The subject class of securities consists of the Eligible Options. The actual number of shares of common stock subject to the new options to be issued in the Exchange Offer will depend on the number of shares of common stock subject to the unexercised options tendered by eligible employees and accepted for exchange and cancelled. The information set forth in the Offer to Exchange under the captions Summary Term Sheet and Questions and Answers, Risks of Participating in the Offer, and the sections under the caption The Offer titled Number of options; expiration date, Acceptance of options for exchange and issuance of new options, and Source and amount of consideration; terms of new options is incorporated herein by reference.

(c) *Trading Market and Price.*

The information set forth in the Offer to Exchange under the caption The Offer Price range of shares underlying the options is incorporated herein by reference.

Item 3. Identity and Background of Filing Person.

(a) *Name and Address.*

The filing person is the issuer. The information set forth under Item 2(a) above is incorporated by reference.

Pursuant to General Instruction F to Schedule TO, the information set forth on Schedule A to the Offer to Exchange is incorporated herein by reference.

Item 4. Terms of the Transaction.

(a) *Material Terms.*

The information set forth in the Offer to Exchange under the caption Summary Term Sheet and Questions and Answers and the sections under the caption The Offer titled Eligibility, Number of options; expiration date, Purposes of the offer, Procedures for electing to exchange options, Withdrawal rights and change of election, Acceptance of options for exchange and issuance of new options, Conditions of the offer, Price range of shares underlying the options, Source and amount of consideration; terms of new options, Status of options acquired by us in the offer; accounting consequences of the offer, Legal matters; regulatory approvals, Material U.S. federal income tax consequences, Extension of offer; termination; amendment and Schedule B attached to the Offer to Exchange is incorporated herein by reference.

(b) *Purchases.*

The information set forth in the Offer to Exchange under the caption The Offer Interests of directors and executive officers; transactions and arrangements concerning the options is incorporated herein by reference.

Item 5. Past Contacts, Transactions, Negotiations and Agreements.

(e) *Agreements Involving the Subject Company's Securities.*

The information set forth in the Offer to Exchange under the caption The Offer Interests of directors and executive officers; transactions and arrangements concerning the options is incorporated herein by reference. Digirad's 1998 Stock Option/Stock Issuance Plan and 2004 Stock Incentive Plan and related option agreements attached hereto as Exhibits (d)(1), (d)(2) and (d)(3) contain information regarding the subject securities.

Item 6. Purposes of the Transaction and Plans or Proposals.

(a) *Purposes.*

The information set forth in the Offer to Exchange under the captions Summary Term Sheet and Questions and Answers and The Offer Purposes of the offer is incorporated herein by reference.

(b) *Use of Securities Acquired.*

The information set forth in the Offer to Exchange under the captions The Offer Acceptance of options for exchange and issuance of new options and The Offer Status of options acquired by us in the offer; accounting consequences of the offer is incorporated herein by reference.

(c) **Plans.**

The information set forth in the Offer to Exchange under the caption "The Offer - Purposes of the offer" is incorporated herein by reference.

Item 7. Source and Amount of Funds or Other Consideration.

(a) **Source of Funds.**

The information set forth in the Offer to Exchange under the caption "The Offer - Source and amount of consideration; terms of new options" is incorporated herein by reference.

(b) **Conditions.**

The information set forth in the Offer to Exchange under the caption "The Offer - Conditions of the offer," is incorporated herein by reference.

(d) **Borrowed Funds.**

Not applicable.

Item 8. Interest in Securities of the Subject Company.

(a) **Securities Ownership.**

The information set forth in the Offer to Exchange under the caption "The Offer - Interests of directors and executive officers; transactions and arrangements concerning the options" is incorporated herein by reference.

(b) **Securities Transactions.**

The information set forth in the Offer to Exchange under the caption "The Offer - Interests of directors and executive officers; transactions and arrangements concerning the options" is incorporated herein by reference.

Item 9. Person/Assets, Retained, Employed, Compensated or Used.

(a) **Solicitations or Recommendations.**

Not applicable.

Item 10. Financial Statements.

(a) **Financial Information.**

The information set forth in Schedule B to the Offer to Exchange and in the Offer to Exchange under the captions "The Offer - Information concerning Digirad," "The Offer - Financial statements" and "The Offer - Additional information" is incorporated herein by reference. Digirad's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q can also be accessed electronically on the Securities and Exchange Commission's

website at <http://www.sec.gov>.

(b) ***Pro Forma Information.***
Not applicable.

Item 11. Additional Information.

(a) *Agreements, Regulatory Requirements and Legal Proceedings.*

The information set forth in the Offer to Exchange under the captions "The Offer - Interests of directors and executive officers; transactions and arrangements concerning the options" and "The Offer - Legal matters; regulatory approvals" is incorporated herein by reference.

(b) *Other Material Information.*

Not applicable.

Item 12. Exhibits.

The Exhibit Index attached to this Schedule TO is incorporated herein by reference.

Item 13. Information Required by Schedule 13E-3.

Not applicable.

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Schedule TO is true, complete and correct.

DIGIRAD CORPORATION

/s/ Richard B. Slansky
Richard B. Slansky
Executive Vice President and Chief Financial Officer

Date: June 11, 2009

INDEX TO EXHIBITS

Exhibit Number	Description
(a)(1)(A)	Offer to Exchange Certain Outstanding Options for New Options, dated June 11, 2009.
(a)(1)(B)	Cover letter to all Eligible Employees Holding Eligible Options from Richard Slansky dated June 11, 2009.
(a)(1)(C)	Election Form.
(a)(1)(D)	Withdrawal Form.
(a)(1)(E)	Confirmation of Receipt of Election Form.
(a)(1)(F)	Form of Reminder E-mail.
(a)(1)(G)	Summary of Eligible Outstanding Stock Options.
(a)(1)(H)	Form of Option Agreement.
(b)	Not applicable.
(d)(1)	1998 Stock Option/Stock Issuance Plan, as amended (<i>this exhibit was previously filed as an exhibit to the Company's annual report on Form 10-K filed with the Commission on March 3, 2005, and is incorporated herein by reference</i>).
(d)(2)	2004 Stock Incentive Plan (<i>this exhibit was previously filed as an exhibit to the Company's quarterly report on Form 10-Q originally filed with the Commission on August 11, 2004, as amended thereafter, and is incorporated herein by reference</i>).
(d)(c)	2004 Stock Incentive Plan Form of Option Agreement (<i>see Exhibit (a)(1)(H)</i>).
(g)	Not applicable.
(h)	Not applicable.