

IDE IMAGING PARTNERS INC  
Form S-4/A  
January 10, 2011

As filed with the Securities and Exchange Commission on January 10, 2011

**Registration No. 333-169107**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**AMENDMENT NO. 1  
TO  
FORM S-4  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**RadNet, Inc.**

(Exact Name of Registrant as Specified in its Charter)

**SEE TABLE OF ADDITIONAL REGISTRANTS**

Delaware  
(State or Other Jurisdiction of  
Incorporation or Organization)

8071  
(Primary Standard Industrial  
Classification Code Number)

13-3326724  
(I.R.S. Employer  
Identification No.)

**1510 Cotner Avenue  
Los Angeles, California 90025  
(310) 478-7808**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Mark D. Stolper**  
**Executive Vice President and Chief Financial Officer**  
**Jeffrey L. Linden, Esq.**  
**Executive Vice President and General Counsel**  
**1510 Cotner Avenue**  
**Los Angeles, California 90025**  
**Tel: (310) 478-7808**

(Name, Address, including zip code, and telephone number, including area code, of agent for service)

*With copies to:*

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Los Angeles, California 90067  
Tel: (310) 228-3700

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**Sheppard, Mullin, Richter & Hampton LLP**  
**390 Lytton Avenue**  
**Palo Alto, California 94301**  
**Tel: (650) 815-2600**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this Registration Statement is declared effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company)

Accelerated filer   
Smaller reporting company

Mark D. Stolper Executive Vice President and Chief Financial Officer Jeffrey L. Linden, Esq. Executive Vice President

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If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

**The Registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrants shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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Exact Name of Registrant Issuer, as Specified in its Charter	State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification Number	Address, Including Zip Code and Telephone Number, Including Area Code of Additional Registrant's Principal Executive Offices
Radnet Management, Inc.	California	95-4377348	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808

**TABLE OF ADDITIONAL REGISTRANT GUARANTORS****Additional Registrants (as Guarantors of 10 3/8% Senior Notes due 2018)**

Exact Name of Registrant Guarantor, as Specified in its Charter	State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification Number	Address, Including Zip Code and Telephone Number, Including Area Code of Registrant Guarantor's Principal Executive Offices
Radnet Managed Imaging Services, Inc.	California	95-4557772	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
Radnet Management I, Inc.	California	95-4819129	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
Radnet Management II, Inc.	California	77-0573991	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
Radnet Sub, Inc.	California	95-4498003	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
FRI II, Inc.	California	32-0220089	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
FRI, Inc.	California	51-0610479	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808

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Pacific Imaging Partners, Inc.	California	94-2509195	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
Rolling Oaks Imaging Corporation	California	95-4651287	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
Rolling Oaks Radiology, Inc.	California	26-1790997	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
SoCal MR Site Management, Inc.	California	95-4803059	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
Valley Imaging Partners, Inc.	California	94-1704799	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808

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Exact Name of Registrant Guarantor, as Specified in its Charter	State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification Number	Address, Including Zip Code and Telephone Number, Including Area Code of Registrant Guarantor's Principal Executive Offices
Advanced Imaging Partners, Inc.	Delaware	52-2055550	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
Advanced NA, LLC	Delaware	20-0805960	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
Community Imaging Partners, Inc.	Delaware	52-2076917	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
Delaware Imaging Partners, Inc.	Delaware	38-3771454	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
Diagnostic Imaging Services, Inc.	Delaware	33-0443404	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
Ide Imaging Partners, Inc.	Delaware	16-1536314	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
Image Medical Corporation	Delaware	94-3322670	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
Mid Rockland Imaging Partners, Inc.	Delaware	13-3967044	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
Radiologix, Inc.	Delaware	75-2648089	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
Radiology and Nuclear Medicine Imaging Partners, Inc.	Delaware	74-2851827	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
Treasure Coast Imaging Partners, Inc.	Delaware	65-0825197	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
Questar Imaging, Inc.	Florida	59-3315849	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
Questar Los Alamitos, Inc.	Florida	59-3578129	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
Questar Victorville, Inc.	Florida	59-3578129	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808



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Exact Name of Registrant Guarantor, as Specified in its Charter	State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification Number	Address, Including Zip Code and Telephone Number, Including Area Code of Registrant Guarantor's Principal Executive Offices
Advanced Radiology, LLC	Maryland	52-1891450	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
East Bergen Imaging, LLC	New Jersey	22-3585779	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
Health Diagnostics of New Jersey, LLC	New Jersey	22-2262855	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
New Jersey Imaging Partners, Inc.	New Jersey	36-4654355	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
Progressive Medical Imaging of Bloomfield, LLC	New Jersey	42-1661432	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
Progressive Medical Imaging of Hackensack, LLC	New Jersey	22-3808535	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
Progressive Medical Imaging of Union City, LLC	New Jersey	22-3764921	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
Progressive X-Ray of Englewood, LLC	New Jersey	20-5437089	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
Progressive X-Ray of Kearney, LLC	New Jersey	26-4057097	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
Imaging On Call, LLC	New York	04-3649213	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808
eRad, Inc.	Pennsylvania	23-3014093	1510 Cotner Ave. Los Angeles, CA 90025 (310) 478-7808



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The information in this preliminary prospectus is not complete and may be changed. We may not offer or sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities, nor a solicitation of an offer to buy these securities, in any state where the offer, solicitation or sale is not permitted.

**SUBJECT TO COMPLETION, DATED JANUARY 10,  
2011**

**PRELIMINARY PROSPECTUS**

**Radnet Management, Inc.**

**Exchange Offer for 10 3/8% Senior Notes due 2018**

**We are offering to exchange up to \$200,000,000 of our new 10 3/8% Senior Notes due 2018, which are wholly and unconditionally guaranteed by RadNet, Inc., the parent company of Radnet Management, Inc. and certain subsidiaries of Radnet Management, Inc. (the exchange notes), in an exchange registered under the Securities Act of 1933, as amended (the Securities Act), for any and all of our outstanding 10 3/8% Senior Notes due 2018, which are wholly and unconditionally guaranteed by RadNet, Inc. and certain subsidiaries of Radnet Management, Inc. (the outstanding notes). We are offering to exchange the exchange notes for the outstanding notes to satisfy our obligations contained in the registration rights agreement that we entered into when the outstanding notes were sold pursuant to Rule 144A and Regulation S under the Securities Act on April 6, 2010.**

**The Exchange Offer**

We will exchange all outstanding notes that are validly tendered and not validly withdrawn for an equal principal amount of exchange notes that are freely tradable.

You may withdraw tenders of outstanding notes at any time prior to the expiration date of the exchange offer. The exchange offer expires at 5:00 p.m., New York City time, on \_\_\_\_\_, 2011 unless extended. We do not currently intend to extend the expiration date.

The exchange of the outstanding notes for exchange notes in the exchange offer will not be a taxable event for U.S. federal income tax purposes.

We will not receive any proceeds from the exchange offer.

**The Exchange Notes**

The terms of the exchange notes to be issued in the exchange offer are substantially identical to the outstanding notes, except that the exchange notes will be freely tradable.

**Results of the Exchange Offer**

The exchange notes may be sold in the over-the-counter market, in negotiated transactions or through a combination of such methods. We do not plan to list the notes on a national securities exchange or elsewhere.

All untendered outstanding notes will continue to be subject to the restrictions on transfer set forth in the outstanding notes and in the related indenture. In general, the outstanding notes may not be offered or sold, unless registered under

the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Other than in connection with the exchange offer, we do not currently anticipate that we will register the outstanding notes under the Securities Act.

**See Risk Factors beginning on page 16 for a discussion of certain risks that you should consider before participating in the exchange offer.**

Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. The letter of transmittal states that by so acknowledging and delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for outstanding notes where such outstanding notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. In addition, all dealers effecting transactions in the exchange notes may be required to deliver a prospectus. We have agreed that, for a period of 180 days after the date of this prospectus, we will make this prospectus available to any broker-dealer for use in connection with such resale. See Plan of Distribution.

If you are our affiliate or are engaged in, or intend to engage in, or have an agreement or understanding to participate in, a distribution of the exchange notes, you cannot rely on the applicable interpretations of the Securities and Exchange Commission and you must comply with the registration requirements of the Securities Act in connection with any resale transaction.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the exchange notes to be distributed in the exchange offer or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.**

The date of this prospectus is \_\_\_\_\_, 2011.

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**You should rely only on the information contained in this prospectus or in any additional written communication prepared by or authorized by us. We have not authorized anyone to provide you with any information or represent anything about us, our financial results or the exchange offer that is not contained in this prospectus or in any additional written communication prepared by or on behalf of us. If given or made, any such other information or representation should not be relied upon as having been authorized by us. We are not making an offer to exchange the outstanding notes in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this prospectus or in any additional written communication prepared by or on behalf of us is accurate only as of the date on its cover page.**

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## PROSPECTUS SUMMARY

*This summary highlights information about our business from this prospectus. This summary does not contain all of the information that you should consider before investing in the notes. You should read the entire prospectus, including the financial data and related notes, before making an investment decision. Unless the context otherwise requires, references in this prospectus to we, our, us, the company and Radnet refer to Radnet Management, Inc. its parent company, RadNet, Inc. and its wholly owned subsidiaries and its predecessors. Additionally, unless the context otherwise requires, references to the Issuer in this prospectus refer to Radnet Management, Inc. However, in the Prospectus Summary Summary of the Terms of the Exchange Offer, Prospectus Summary The Exchange Notes, Description of Notes, and The Exchange Offer sections of this prospectus, references to we, us, and our and similar expressions are to Radnet Management, Inc. or Radnet Management.*

### Our Company

With 192 centers, as of September 30, 2010, located in California, Delaware, Maryland, New Jersey, Florida, Kansas and New York, we are the leading national provider of freestanding, fixed-site outpatient diagnostic imaging services in the United States based on number of locations and annual imaging revenue. Our centers provide physicians with imaging capabilities to facilitate the diagnosis and treatment of diseases and disorders and may reduce unnecessary invasive procedures, often minimizing the cost and amount of care for patients. Our services include magnetic resonance imaging (MRI), computed tomography (CT), positron emission tomography (PET), nuclear medicine, mammography, ultrasound, diagnostic radiology (X-ray), fluoroscopy and other related procedures. The vast majority of our centers offer multi-modality imaging services, a key point of differentiation from our competitors. Our multi-modality strategy diversifies revenue streams, reduces exposure to reimbursement changes and provides patients and referring physicians one location to serve the needs of multiple procedures.

We seek to develop leading positions in regional markets in order to leverage operational efficiencies. Our scale and density within selected geographies provides close, long-term relationships with key payors, radiology groups and referring physicians. Each of our facility managers is responsible for managing relationships with local physicians and payors, meeting our standards of patient service and maintaining profitability. We provide corporate training programs, standardized policies and procedures and sharing of best practices among the physicians in our regional networks.

We derive substantially all of our revenue, directly or indirectly, from fees charged for the diagnostic imaging services performed at our facilities. For the year ended December 31, 2009, we performed 3,174,006 diagnostic imaging procedures and generated net revenue from continuing operations of \$524 million.

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## The Refinancing Transactions

On April 6, 2010, Radnet Management issued and sold \$200,000,000 in 10 3/8% senior notes due 2018, which are the subject of the exchange offer described in this prospectus, to the initial purchasers, Deutsche Bank Securities Inc., Barclays Capital Inc., RBC Capital Markets Corporation and Jefferies & Company Inc., who resold the notes to qualified institutional buyers pursuant to Rule 144A under the Securities Act, and to non-U.S. persons in offshore transactions pursuant to Regulation S under the Securities Act. All payments of the 10 3/8% senior notes due 2018, including principal and interest, are guaranteed jointly and severally on a senior unsecured basis by RadNet, Inc. and all of Radnet Management's current and future domestic wholly owned restricted subsidiaries. The 10 3/8% notes due 2018 were issued under an indenture, dated April 6, 2010, by and among Radnet Management, as issuer, RadNet, Inc., as parent guarantor, certain of the subsidiary guarantors listed on the Table of Additional Registrant Guarantors, and U.S. Bank National Association, as trustee, in a private placement that was not subject to the registration requirements of the Securities Act. Please refer to the section entitled Description of Notes for additional information on the material provisions of the indenture and the notes.

In connection with the sale of the 10 3/8% senior notes due 2018, Radnet Management, RadNet, Inc. and certain of the guarantors listed on the Table of Additional Registrant Guarantors entered into a registration rights agreement, dated as of April 6, 2010, with Deutsche Bank Securities Inc. and Barclays Capital Inc., as the representatives of the initial purchasers of the Notes. Pursuant to this registration rights agreement, Radnet Management, RadNet, Inc. and the other subsidiary guarantors listed on the Table of Additional Registrant Guarantors agreed to file a registration statement in connection with, and to consummate an exchange offer enabling holders of the outstanding 10 3/8% senior notes due 2018 to exchange the outstanding notes for publicly registered exchange notes with nearly identical terms.

On April 6, 2010, Radnet Management entered into a new Credit and Guaranty Agreement with Barclays Capital, Deutsche Bank Securities Inc., GE Capital Markets, Inc. and Royal Bank of Canada, as joint bookrunners and joint lead arrangers, Barclays Bank PLC, as administrative agent and collateral agent, and certain other lenders, whereby Radnet Management obtained \$385,000,000 in senior secured first-lien bank financing, consisting of (i) a \$285,000,000, six-year term loan facility and (ii) a \$100,000,000, five-year revolving credit facility, including a swing line subfacility and a letter of credit subfacility (collectively, the New Credit Facilities). Radnet Management's obligations under this Credit and Guaranty Agreement are unconditionally guaranteed by RadNet, Inc., all of Radnet Management's current and future wholly owned domestic subsidiaries as well as certain affiliates, including Beverly Radiology Medical Group III and its equity holders (Beverly Radiology Medical Group, Inc., BreastLink Medical Group, Inc. and ProNet Imaging Medical Group, Inc.). See Selected Historical Consolidated Financial Data, Certain Relationships and Related Party Transactions and Description of Other Indebtedness. These New Credit Facilities created by the Credit and Guaranty Agreement are secured by a perfected first-priority security interest in all of Radnet Management's and the guarantors' tangible and intangible assets, including, but not limited to, pledges of equity interests of Radnet Management and all of our current and future wholly owned domestic subsidiaries.

In connection with the issuance of the outstanding notes and entering into the Credit and Guaranty Agreement, Radnet Management used the net proceeds from the issuance of the outstanding notes and the New Credit Facilities created by the Credit and Guaranty Agreement to repay in full its existing first lien term loan for \$242.0 million in aggregate principal amount outstanding, which would have matured on November 15, 2012, and its second lien term loan for \$170.0 million in aggregate principal amount outstanding, which would have matured on November 15, 2013.

The initial issuance of the outstanding notes, the execution of the Credit and Guaranty Agreement, the incurrence of the borrowings thereunder and the application of the net proceeds therefrom to repay and retire a portion of Radnet

Management's existing indebtedness, including repayment of the then-existing credit facilities, are collectively referred to in this prospectus as the Refinancing Transactions. For a more complete description of the Refinancing Transactions, see Description of Other Indebtedness and Description of Notes.

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## Recent Developments

On October 1, 2010, we completed our acquisition of Image Medical Corporation, the parent of eRAD, Inc., or eRad, for \$10.75 million in a combination of cash and promissory notes. eRAD, headquartered in Greenville, South Carolina, has been a premier provider of Picture Archiving and Communications Systems and related workflow solutions to the radiology industry since 1999. Over 250 hospitals, teleradiology businesses, imaging centers and specialty physician groups use eRAD's technology to distribute, visualize, store and retrieve digital images taken from all diagnostic imaging modalities. We have also assembled a new software development team, consisting of veterans of the radiology software industry, to complement eRAD's product portfolio. eRAD and the newly hired software development team form a Radiology Information Technology division of RadNet. Additionally, on December 2, 2010, we consummated the acquisition of five medical imaging facilities located in Northern New Jersey and a 50% equity interest in a sixth center from Progressive Health, LLC, or Progressive, and certain affiliates and related entities for an aggregate of \$17.15 million in cash. On December 31, 2010, we completed our acquisition of two imaging centers from Presgar Imaging and affiliated entities located in Brooklyn and Orchard Park, New York for cash consideration of \$2.2 million plus the assumption of approximately \$700,000 of debt. Highway Imaging in Brooklyn and Parkland Diagnostic in Orchard Park are both multimodality facilities, offering a combination of MRI, CT, PET/CT, ultrasound, mammography, bone density and x-ray. On January 3, 2011, we consummated the acquisition of Imaging On Call, LLC, a provider of teleradiology services to radiology groups, hospitals and imaging centers located in Poughkeepsie, New York, for \$5.5 million cash plus an earn-out of up to an additional \$2.5 million.

## Corporate Information

RadNet, Inc. is incorporated in Delaware. Radnet Management, Inc. is incorporated in California. Our subsidiary guarantors Advanced Imaging Partners, Inc., Advanced NA, LLC, Community Imaging Partners, Inc., Delaware Imaging Partners, Inc., Diagnostic Imaging Services, Inc., Ide Imaging Partners, Inc., Mid Rockland Imaging Partners, Inc., Radiologix, Inc., Radiology and Nuclear Medicine Imaging Partners, Inc., Treasure Coast Imaging Partners, Inc. and Image Medical Corporation are incorporated or organized in Delaware, Radnet Managed Imaging Services, Inc., Radnet Management I, Inc., Radnet Management II, Inc., Radnet Sub, Inc., FRI II, Inc., FRI, Inc., Pacific Imaging Partners, Inc., Rolling Oaks Imaging Corporation, Rolling Oaks Radiology, Inc., SoCal MR Site Management, Inc. and Valley Imaging Partners, Inc. are incorporated in California, Questar Imaging, Inc., Questar Los Alamitos, Inc. and Questar Victorville, Inc. are incorporated in Florida, New Jersey Imaging Partners, Inc., Health Diagnostics of New Jersey, LLC, East Bergen Imaging, LLC, Progressive Medical Imaging of Bloomfield, LLC, Progressive Medical Imaging of Hackensack, LLC, Progressive Medical Imaging of Union City, LLC, Progressive X-Ray of Englewood, LLC and Progressive X-Ray of Kearney, LLC are incorporated and formed in New Jersey, Advanced Radiology, LLC was formed in Maryland, Imaging On Call, LLC was formed in New York and eRad, Inc. is incorporated in Pennsylvania. Our principal executive offices and headquarters are located at 1510 Cotner Avenue, Los Angeles, California 90025 and our telephone number at that address is (310) 478-7808. Our corporate website is [www.radnet.com](http://www.radnet.com). Information contained on our website or that can be accessed through our website is not incorporated by reference in this prospectus and does not constitute a part of this offering.

## Market, Ranking and Industry Data

Unless otherwise indicated, information contained in this prospectus concerning the diagnostic imaging services industry or market refers to the fixed-site outpatient diagnostic imaging services sector within the domestic diagnostic imaging services industry. Our general expectations concerning these industries and their segments and our market

position and market share within these industries and their segments are derived from data from various third-party sources. In addition, this prospectus presents similar information based on management estimates. Such estimates are derived from third-party sources as well as data from our internal research and on assumptions made by us, based on such data and our knowledge of the diagnostic imaging services industry, which we believe to be reasonable.

Although we are not aware of any misstatements regarding any industry or similar data presented herein, such data involves risks and uncertainties and is subject to change based on various factors, including those described in Risk Factors.



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## The Exchange Offer

*In this prospectus, the term "outstanding notes" refers to the 10 3/8% senior notes due 2018. The term "exchange notes" refers to the 10 3/8% senior notes due 2018, as registered under the Securities Act. The term "notes" refers collectively to the outstanding notes and the exchange notes. On April 6, 2010, Radnet Management, Inc. issued \$200,000,000 aggregate principal amount of 10 3/8% senior notes due 2018 in a private placement.*

### General

In connection with the private placement, we entered into a registration rights agreement with the initial purchasers in which we agreed, among other things, to deliver this prospectus to you and to obtain the effectiveness of the exchange offer registration statement within 360 days after the date of original issuance of the outstanding notes. You are entitled to exchange in the exchange offer your outstanding notes for exchange notes, which are identical in all material respects to the outstanding notes except:

the exchange notes have been registered under the Securities Act;

the exchange notes are not entitled to any registration rights that are applicable to the outstanding notes under the registration rights agreement; and

the liquidated damages provisions of the registration rights agreement are no longer applicable.

### The Exchange Offer

We are offering to exchange \$200,000,000 aggregate principal amount of 10 3/8% senior notes due 2018, which have been registered under the Securities Act, for any and all of our outstanding 10 3/8% senior notes due 2018. Outstanding notes may be exchanged only in denominations of \$2,000 and in integral multiples of \$1,000 in excess thereof.

Subject to the satisfaction or waiver of specified conditions, we will exchange the exchange notes for all outstanding notes that are validly tendered and not validly withdrawn prior to the expiration of the exchange offer. We will cause the exchange to be effected promptly after the expiration of the exchange offer.

### Resale

Based on an interpretation by the staff of the Securities and Exchange Commission (the "SEC") set forth in no-action letters issued to third parties, we believe that the exchange notes issued pursuant to the exchange offer in exchange for outstanding notes may be offered for resale, resold and otherwise transferred by you (unless you are our affiliate within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that:

you are acquiring the exchange notes in the ordinary course of your business; and

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you have not engaged in, do not intend to engage in and have no arrangement or understanding with any person to participate in a distribution of the exchange notes.

If you are a broker-dealer and receive exchange notes for your own account in exchange for outstanding notes that you acquired as a result of market-making activities or other trading activities, you must acknowledge that you will deliver this prospectus in connection with any resale of the exchange notes. See Plan of Distribution.

Any holder of outstanding notes who:

is our affiliate;

does not acquire exchange notes in the ordinary course of its business; or

tenders its outstanding notes in the exchange offer with the intention to participate, or for the purpose of participating, in a distribution of exchange notes cannot rely on the position of the staff of the SEC enunciated in no-action letters addressed to Morgan Stanley & Co. Incorporated (available June 5, 1991) and Exxon Capital Holdings Corporation (available May 13, 1988), as interpreted in the SEC's no-action letter addressed to Shearman & Sterling (available July 2, 1993), or similar no-action letters and, in the absence of an exemption therefrom, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the exchange notes.

**Expiration Date**

The exchange offer will expire at 5:00 p.m., New York City time, on \_\_\_\_\_, 2011, unless extended by us. We do not currently intend to extend the expiration of the exchange offer.

**Withdrawal**

You may withdraw the tender of your outstanding notes at any time prior to the expiration of the exchange offer. We will return to you any of your outstanding notes that are not accepted for any reason for exchange, without expense to you, promptly after the expiration or termination of the exchange offer.

**Conditions to the Exchange Offer**

The exchange offer is subject to customary conditions, which we may waive. See The Exchange Offer Conditions to the Exchange Offer.

**Procedures for Tendering Outstanding Notes**

If you wish to participate in the exchange offer, you must complete, sign and date the accompanying letter of transmittal, or a facsimile of such letter of transmittal, according to the instructions contained in this prospectus and the letter of transmittal. You must then mail or otherwise deliver the letter of transmittal, or a facsimile of such letter of transmittal, together with the outstanding

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notes and any other required documents, to the exchange agent at the address set forth on the cover page of the letter of transmittal.

If you hold outstanding notes through The Depository Trust Company (DTC) and wish to participate in the exchange offer, you must comply with the Automated Tender Offer Program procedures of DTC by which you will agree to be bound by the letter of transmittal.

If you are a beneficial owner whose outstanding notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender your outstanding notes, you should promptly contact the registered holder and instruct the registered holder to tender on your behalf. If you wish to tender the outstanding notes yourself, you must, prior to completing and executing the letter of transmittal and delivering your outstanding notes, either have the outstanding notes registered in your name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time and may not be able to be completed prior to the expiration date.

By signing, or agreeing to be bound by, the letter of transmittal, you will represent to us that, among other things:

you are not our affiliate within the meaning of Rule 405 under the Securities Act;

you do not have an arrangement or understanding with any person or entity to participate in the distribution of the exchange notes;

you are not engaged in, and do not intend to engage in, a distribution of the exchange notes;

you are acquiring the exchange notes in the ordinary course of your business; and

if you are a broker-dealer that will receive exchange notes for your own account in exchange for outstanding notes that were acquired as a result of market-making activities, that you will deliver a prospectus, as required by law, in connection with any resale of such exchange notes.

**Special Procedures for Beneficial Owners**

If you are a beneficial owner of outstanding notes that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, and you wish to tender those outstanding notes in the exchange offer, you should contact the registered holder promptly and instruct the registered holder to tender those outstanding notes on your behalf. If you wish to tender on your own behalf, you must, prior to completing and executing the letter of transmittal and delivering your outstanding notes, either make appropriate arrangements to register ownership of

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the outstanding notes in your name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time and may not be able to be completed prior to the expiration date.

**Guaranteed Delivery Procedures**

If you wish to tender your outstanding notes and your outstanding notes are not immediately available or you cannot deliver your outstanding notes, the letter of transmittal or any other required documents, or you cannot comply with the procedures under DTC's Automated Tender Offer Program for transfer of book-entry interests, prior to the expiration date, you must tender your outstanding notes according to the guaranteed delivery procedures set forth in this prospectus under **The Exchange Offer** **Guaranteed Delivery Procedures**.

**Effect on Holders of Outstanding Notes**

As a result of the making of, and upon acceptance for exchange of all validly tendered outstanding notes pursuant to the terms of the exchange offer, we will have fulfilled a covenant under the registration rights agreement.

Accordingly, there will be no increase in the interest rate on the outstanding notes under the circumstances described in the registration rights agreement. If you do not tender your outstanding notes in the exchange offer, you will continue to be entitled to all the rights and limitations applicable to the outstanding notes as set forth in the indenture, except we will not have any further obligation to you to provide for the exchange and registration of the outstanding notes and related guarantees under the registration rights agreement. To the extent that outstanding notes are tendered and accepted in the exchange offer, the trading market for outstanding notes could be adversely affected.

**Consequences of Failure to Exchange**

All untendered outstanding notes will continue to be subject to the restrictions on transfer set forth in the outstanding notes and in the indenture. In general, the outstanding notes may not be offered or sold, unless in a transaction registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Other than in connection with the exchange offer, we do not intend to register exchanges of outstanding notes under the Securities Act, except as otherwise required by the registration rights agreement.

**United States Federal Income Tax Consequences of the Exchange Offer**

The exchange of outstanding notes in the exchange offer will not be a taxable event for U.S. federal income tax purposes. See **Material U.S. Federal Income Tax Consequences** **Exchange Offer**.

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Use of Proceeds

We will not receive any cash proceeds from the issuance of exchange notes in the exchange offer. See Use of Proceeds.

Exchange Agent

U.S. Bank National Association is the exchange agent for the exchange offer. The addresses and telephone numbers of the exchange agent are set forth in the section captioned The Exchange Offer Exchange Agent.

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## The Exchange Notes

*The summary below describes the principal terms of the exchange notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of Notes section of this prospectus contains more detailed descriptions of the terms and conditions of the outstanding notes and the exchange notes. The exchange notes will have terms identical in all material respects to the outstanding notes, except that the exchange notes will not contain terms with respect to transfer restrictions, registration rights and liquidated damages for failure to observe certain obligations in the registration rights agreement. The exchange notes will evidence the same debt as the corresponding outstanding notes. The exchange notes will be issued under and entitled to the benefits of the same indenture under which the outstanding notes were issued, and the exchange notes and the outstanding notes will constitute a single class for all purposes under the indenture.*

Issuer

Radnet Management, Inc.

Securities Offered

\$200,000,000 aggregate principal amount of 10 3/8% senior notes due 2018 and the related guarantees.

Maturity

The exchange notes will mature on April 1, 2018.

Interest Rate

The exchange notes will bear interest at a rate of 10 3/8% per annum.

Interest Payment Dates

The interest on the exchange notes is payable in arrears on April 1 and October 1 of each year, beginning on October 1, 2010. Interest will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance.

Guarantees

Each of our current and future wholly owned domestic restricted subsidiaries and our direct parent company, RadNet, Inc., will jointly and severally guarantee the exchange notes on a senior unsecured basis.

Ranking

The exchange notes will be our unsecured senior obligations and will:

rank equally in right of payment with any existing and future senior unsecured indebtedness of us and any of the guarantors;

rank senior in right of payment to all existing and future subordinated indebtedness of us and any of the guarantors;

be effectively subordinated in right of payment to any secured indebtedness of us and any of the guarantors (including indebtedness under the New Credit Facilities) to the extent of the value of the assets securing such indebtedness; and

be structurally subordinated in right of payment to all existing and future indebtedness and other liabilities of any of our subsidiaries that is not a guarantor of the notes.



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Similarly, the note guarantees will be unsecured senior obligations of the guarantors and will:

rank equally in right of payment with any existing and future senior unsecured indebtedness of any of the guarantors.

rank senior in right of payment to all existing and future subordinated indebtedness of any of the guarantors;

be effectively subordinated in right of payment to any secured indebtedness of any of the guarantors (including indebtedness under the New Credit Facilities) to the extent of the value of the assets securing such indebtedness; and

be structurally subordinated in right of payment to all existing and future indebtedness and other liabilities of any of our subsidiaries that is not a guarantor of the notes.

After giving effect to the Refinancing Transactions and the application of the net proceeds therefrom, as of September 30, 2010, we had \$505.5 million in aggregate principal amount of outstanding indebtedness, \$307.2 million of which constituted senior secured indebtedness that is effectively senior to the notes to the extent of the value of the collateral securing such debt. As of September 30, 2010, our non-guarantor subsidiaries had assets of \$43.6 million and liabilities of \$34.1 million (including trade payables of \$26.8 million).

**Optional Redemption**

We may redeem the notes, in whole or in part, at any time on or after April 1, 2014, at the redemption prices specified under Description of Notes Optional Redemption.

Prior to April 1, 2013, we may redeem up to 35% of aggregate principal amount of the notes issued under the indenture from the net proceeds of one or more equity offerings at a redemption price equal to 110.375% of the notes redeemed, plus accrued and unpaid interest, if any.

We are also permitted to redeem the notes prior to April 1, 2014, in whole or in part, at a redemption price equal to 100% of the principal amount redeemed, plus a make-whole premium and accrued and unpaid interest, if any.

**Change of Control Offer**

If a change of control occurs, we must give holders of the notes the opportunity to sell us their notes at 101% of their face amount, plus accrued interest.

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We might not be able to pay you the required price for notes you present to us at the time of a change of control, because:

we might not have enough funds at that time; or

the terms of the New Credit Facilities or any future indebtedness may prevent us from making the change of control tender.

See Risk Factors Risks Related to the Exchange Offer, the Notes and Our Indebtedness We may not be able to repurchase notes upon a change of control, which would be an event of default under the indenture.

See Description of Notes Repurchase at the Option of Holders Change of Control.

Certain Indenture Provisions

The indenture governing the exchange notes will contain covenants limiting, among other things, the ability of RadNet, Inc. and its restricted subsidiaries, including the Issuer, to:

pay dividends or make certain other restricted payments or investments;

incur additional indebtedness and issue preferred stock;

create liens (other than permitted liens) securing indebtedness or trade payables unless the notes are secured on an equal and ratable basis with the obligations so secured, and, if such liens secure subordinated indebtedness, the notes are secured by a lien senior to such liens;

sell certain assets or merge with or into other companies or otherwise dispose of all or substantially all of our assets;

enter into certain transactions with affiliates;

create restrictions on dividends or other payments by our restricted subsidiaries; and

create guarantees of indebtedness by restricted subsidiaries.

However, these limitations will be subject to a number of important qualifications and exceptions.

Book-Entry

The exchange notes will be issued in book-entry form and will be represented by global certificates deposited with, or on behalf of, DTC and registered in the name of Cede & Co., DTC's nominee. Beneficial interests in the exchange notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee; and these interests may not be exchanged for certificated notes, except in limited circumstances. See The Exchange Offer Book-Entry Delivery Procedures.

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No Public Market

The exchange notes will be freely transferable but will be a new issue of securities. There is no established trading market for the exchange notes and the exchange notes will not be listed on any national securities exchange or elsewhere. Accordingly, an active market or liquidity may not develop for the exchange notes.

## **Risk Factors**

You should carefully consider all of the information included and incorporated by reference in this prospectus. See **Risk Factors** included in this prospectus beginning on page 16. In addition, you should review the information set forth under **Forward-Looking Statements** before deciding to tender your outstanding notes in the exchange offer.

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## Summary Historical Consolidated Financial Data

The following table sets forth our summary historical consolidated financial information for each of the years ended December 31, 2009, 2008 and 2007 and for the three and nine months ended September 30, 2010 and 2009. The summary consolidated statements of operations data set forth below for the years ended December 31, 2009, 2008 and 2007 are derived from our audited consolidated financial statements and notes thereto included elsewhere herein. The statement of operations data and other financial data for the three and nine months ended September 30, 2010 and 2009 and the balance sheet data as of September 30, 2010 were derived from our unaudited condensed consolidated financial statements included elsewhere herein.

The summary unaudited pro forma consolidated statement of operations data for the nine months ended September 30, 2010 and the year ended December 31, 2009 were prepared using the historical statements of operations of RadNet, eRAD and Progressive for the nine months ended September 30, 2010 and for the year ended December 31, 2009, respectively. The summary unaudited pro forma consolidated statements of operations data for the nine months ended September 30, 2010 and for the year ended December 31, 2009 give effect to our acquisitions of eRad and Progressive as if these acquisitions had occurred on January 1, 2009 and include adjustments based on certain assumptions as described in the unaudited pro forma condensed financial statements included elsewhere herein.

The unaudited pro forma condensed consolidated balance sheet of RadNet was prepared using the historical balance sheets of RadNet, eRAD and Progressive as of September 30, 2010. The unaudited pro forma condensed consolidated balance sheet of RadNet gives effect to the acquisitions of eRAD and Progressive as if they had been completed on September 30, 2010, consolidates the unaudited condensed balance sheets of RadNet, eRAD and Progressive and includes adjustments based on certain assumptions as described in the unaudited pro forma condensed financial statements included elsewhere herein.

This data should be read in conjunction with and is qualified in its entirety by reference to the audited consolidated financial statements and the related notes included elsewhere herein and Management's Discussion and Analysis of Financial Condition and Results of Operations.

The financial data set forth below and discussed in this prospectus are derived from the consolidated financial statements of RadNet, Inc., its subsidiaries and certain affiliates. As described further in Note 1 to the accompanying financial statements included elsewhere herein, as a result of the contractual and operational relationship among Beverly Radiology Medical Group III, or BRMG, Dr. Berger and us, we are considered to be the primary beneficiary of the operations of BRMG, which we have determined is a variable interest entity based on applicable accounting guidance. Consequently, we are required to include BRMG as a consolidated entity in our consolidated financial statements. This means, for example, that revenue generated by BRMG from the provision of professional medical services to our patients, as well as BRMG's costs of providing those services, are included as net revenue and operating expenses, respectively, in our consolidated statement of operations, whereas the management fee that BRMG pays to us under our management agreement with BRMG is eliminated as a result of the consolidation of our results with those of BRMG. If BRMG were not treated as a consolidated entity in our consolidated financial statements, the presentation of certain items in our income statement, such as net revenue and costs and expenses, would change but our net income would not materially change, because in operation and historically, the annual revenue of BRMG from all sources closely approximates its expenses, including Dr. Berger's compensation, fees payable to us and amounts payable to third parties. BRMG is a guarantor under our New Credit Facilities, but does not guarantee the notes.



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	Three Months Ended September 30,		Nine Months Ended September 30,		Years Ended December 31,		
	2010	2009	2010	2009	2009	2008	2007
	(unaudited)		(unaudited)		(unaudited)		
	(in thousands)						
Statement of Operations Data:							
Net revenue	\$ 140,093	\$ 133,404	\$ 403,222	\$ 392,553	\$ 524,368	\$ 498,815	\$ 423,576
Operating expenses	106,634	101,924	311,478	298,653	397,753	384,297	330,550
Depreciation and amortization	13,002	13,593	40,153	39,979	53,800	53,548	45,281
Provision for bad debts	8,458	8,386	24,603	24,729	32,704	30,832	27,467
Loss on sale of equipment, net	451	72	606	375	523	516	72
Income from operations	11,384	9,143	25,651	28,174	38,857	29,287	19,272
Interest expense	12,781	12,367	35,477	38,538	49,193	51,811	44,307
Gain on bargain purchase				(1,387 )	(1,387 )		
Gain from sale of joint venture interests							(1,868 )
Equity in earnings of joint ventures	2,282	1,751	6,114	6,839	8,456	9,791	5,944
Net loss attributable to RadNet, Inc. common stockholders	(285 )	(1,726 )	(16,152 )	(2,904 )	(2,267 )	(12,836 )	(18,131 )

	Pro Forma Nine Months Ended September 30, 2010 (unaudited) (in thousands)	Pro Forma Year Ended December 31, 2009 (unaudited)
Statement of Operations Data:		
Net revenue	\$420,288	\$545,893
Operating expenses	325,060	415,518
Depreciation and amortization	41,946	56,096
Provision for bad debts	25,130	33,886
Loss on sale of equipment, net	606	523

Income from operations	26,815	39,140
Interest expense	36,718	50,977
Gain on bargain purchase		(1,387 )
Gain from sale of joint venture interests		
Equity in earnings of joint ventures	6,114	8,456
Net loss attributable to RadNet, Inc. common stockholders	(16,019 )	(4,218 )

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	Pro Forma As of September 30, 2010	As of September 30, 2010  (unaudited) (in thousands)
Balance Sheet Data:		
Cash and cash equivalents	\$	\$ 24,462
Total assets	544,881	537,650
Total long-term liabilities	523,380	519,168
Total liabilities	632,001	625,177
Working capital	4,401	29,529
Equity deficit	(87,527 )	(87,527 )

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## **RISK FACTORS**

*You should carefully consider the risk factors set forth below as well as the other information contained in this prospectus before deciding to tender your outstanding notes in the exchange offer. The risks described below and the other information included in this prospectus are not the only risks we face. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial may also materially and adversely affect our business, financial condition or results of operations. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. In any such case, the trading price of the exchange notes could decline or we may not be able to make payments of interest and principal on the exchange notes and you may lose all or part of your original investment.*

### **Risks Relating to the Exchange Offer, the Notes and our Indebtedness**

**If you do not exchange your outstanding notes in the exchange offer, the transfer restrictions currently applicable to your outstanding notes will remain in force and the market price of your outstanding notes could decline.**

If you do not exchange your outstanding notes for exchange notes in the exchange offer, you will continue to be subject to restrictions on transfer of your outstanding notes as set forth in the offering memorandum distributed in connection with the private offering of the outstanding notes. In general, the outstanding notes may not be offered or sold unless they are registered or exempt from registration under the Securities Act and applicable state securities laws. Except as required by the registration rights agreement, we do not intend to register resales of the outstanding notes under the Securities Act. You should refer to Prospectus Summary The Exchange Offer and The Exchange Offer for information about how to tender your outstanding notes.

The tender of outstanding notes under the exchange offer will reduce the outstanding amount of the outstanding notes, which may have an adverse effect upon, and increase the volatility of, the market prices of the outstanding notes due to a reduction in liquidity. In addition, if you do not exchange your outstanding notes in the exchange offer, you will no longer be entitled to exchange your outstanding notes for exchange notes registered under the Securities Act and you will no longer be entitled to have your outstanding notes registered for resale under the Securities Act.

**Our substantial debt could adversely affect our financial condition and prevent us from fulfilling our obligations under the notes.**

Our current substantial indebtedness and any future indebtedness we incur could adversely affect our financial condition, which could make it more difficult for us to satisfy our obligations to our creditors. After completion of this offering, we will continue to be highly leveraged. As of September 30, 2010, our total indebtedness was \$505.5 million, \$307.2 million of which constituted senior secured indebtedness that is effectively senior to the notes to the extent of the value of the collateral securing such indebtedness. Our substantial indebtedness could also:

make it more difficult for us to satisfy our obligations with respect to the notes;  
require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate



purposes;

expose us to the risk of interest rate increases on our variable rate borrowings, including borrowings under our new senior secured credit facilities;

increase our vulnerability to adverse general economic and industry conditions;

limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

place us at a competitive disadvantage compared to our competitors that have less debt; and

limit our ability to borrow additional funds on terms that are satisfactory to us or at all.

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We will be able to incur substantial indebtedness in the future. Although the New Credit Facilities and the indenture governing the notes contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If new indebtedness is added to our current debt levels, the related risks that we now face could intensify. In addition, the indenture governing the notes does not prevent us from incurring obligations that do not constitute indebtedness under the indenture.

**If we are unable to generate or borrow sufficient cash to make payments on our indebtedness or to refinance our indebtedness on acceptable terms, our financial condition would be materially harmed, our business may fail and you may lose all of your investment.**

Our ability to make scheduled payments on or to refinance our obligations with respect to our debt will depend on our financial and operating performance, which will be affected by general economic, financial, competitive, business and other factors beyond our control. As a result of the recent global market and economic conditions, the cost and availability of credit and equity capital have been severely impacted. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to service our debt or to fund our other liquidity needs. If we are unable to meet our debt obligations or fund our other liquidity needs, we may need to restructure or refinance all or a portion of our debt on or before maturity or sell certain of our assets. We cannot assure you that we will be able to restructure or refinance any of our debt on commercially reasonable terms, if at all, which could cause us to default on our debt obligations and impair our liquidity. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations.

**We may not be able to finance future needs or adapt our business plan to changes because of restrictions placed on us by our New Credit Facilities, the indenture governing the notes and instruments governing our other indebtedness.**

The indenture governing the notes and our New Credit Facilities contain affirmative and negative covenants which restrict, among other things, our ability to:

- pay dividends or make certain other restricted payments or investments;
- incur additional indebtedness and issue preferred stock;
- create liens (other than permitted liens) securing indebtedness or trade payables unless the notes are secured on an equal and ratable basis with the obligations so secured, and, if such liens secure subordinated indebtedness, the notes are secured by a lien senior to such liens;
- sell certain assets or merge with or into other companies or otherwise dispose of all or substantially all of our assets;
- enter into certain transactions with affiliates;
- create restrictions on dividends or other payments by our restricted subsidiaries; and
- create guarantees of indebtedness by restricted subsidiaries.

All of these restrictions could affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities as they arise. A failure to comply with these covenants and restrictions would permit the relevant creditors to declare all amounts borrowed under the applicable agreement governing such indebtedness, together with accrued interest and fees, to be immediately due and payable. If the indebtedness under the New Credit Facilities or the notes offered hereby is accelerated, we may not have sufficient assets to repay amounts due under the

If we are unable to generate or borrow sufficient cash to make payments on our indebtedness or to refinance our indebtedness, our business may fail and you may lose all of your investment.

New Credit Facilities, the notes or on other indebtedness then outstanding. If we are not able to refinance our debt, we could become subject to bankruptcy proceedings, and you may lose all or a portion of your investment because the claims of certain of our creditors on our assets are prior to the claims of holders of the notes.

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**Your right to receive payments on the notes is effectively junior to those lenders who have a security interest in our assets.**

Our obligations under the notes and our guarantors' obligations under their guarantees of the notes are unsecured, but our obligations under our New Credit Facilities and each guarantor's obligations under their respective guarantees of the New Credit Facilities are secured by a security interest in substantially all of our tangible and intangible assets. If we are declared bankrupt or insolvent, or if we default under our New Credit Facilities, the lenders could declare all of the funds borrowed thereunder, together with accrued interest, immediately due and payable. If we were unable to repay such indebtedness, the lenders could foreclose on the pledged assets to the exclusion of holders of the notes, even if an event of default exists under the indenture under which the notes will be issued at such time. Furthermore, if the lenders foreclose and sell the pledged equity interests in any subsidiary guarantor under the notes, then that guarantor will be released from its guarantee of the notes automatically and immediately upon such sale. In any such event, because the notes are not secured by any of our assets or the equity interests in subsidiary guarantors, it is possible that there would be no assets remaining from which your claims could be satisfied or, if any assets remained, they might be insufficient to satisfy your claims fully.

As of September 30, 2010, we had \$307.2 million of senior secured indebtedness. In addition, upon the occurrence of certain events, we may request an incremental term loan facility or facilities, based upon the satisfaction of a maximum senior secured leverage ratio test and subject to receipt of commitments by existing lenders or other financing institutions and the satisfaction of certain other conditions. The indenture permits the incurrence of substantial additional indebtedness by us and our restricted subsidiaries in the future, including secured indebtedness.

**Claims of noteholders will be structurally subordinate to claims of creditors of all of our non wholly owned subsidiaries and any future foreign subsidiaries because they will not guarantee the notes.**

The notes are not and will not be guaranteed by our non wholly owned subsidiaries or any future foreign subsidiaries. Accordingly, claims of holders of the notes are structurally subordinate to the claims of creditors of these non-guarantor subsidiaries, including trade creditors. All obligations of our non-guarantor subsidiaries will have to be satisfied before any of the assets of such subsidiaries would be available for distribution, upon a liquidation or otherwise, to us or a guarantor of the notes.

Not all of our subsidiaries are guarantors of the notes. As of September 30, 2010, our non-guarantor subsidiaries had assets of \$43.6 million and liabilities of \$34.1 million (including trade payables of \$26.8 million).

**We may not be able to repurchase notes upon a change of control, which would be an event of default under the indenture.**

Upon the occurrence of specific kinds of change of control events, we will be required to offer to repurchase all of the outstanding notes. The terms of the notes may not protect you if we undergo a highly leveraged transaction, reorganization, restructuring, merger or similar transaction that may adversely affect you unless the transaction is included in the definition of a change of control. The New Credit Facilities restricts us from repurchasing the notes without the approval of the lenders. In addition, it is possible that we will not have sufficient funds at the time of the change of control to make the required repurchase of notes or that other restrictions in the New Credit Facilities and the notes will not allow these repurchases. Our failure to repurchase the notes would constitute an event of default under the indenture which would in turn result in an event of default under the New Credit Facilities, in which case

the lenders under the New Credit Facilities could cause all indebtedness under the New Credit Facilities to become due and payable.

**Your ability to transfer the exchange notes may be limited by the absence of an active trading market, and there is no assurance that any active trading market will develop for the exchange notes.**

There is no listing for the outstanding notes, and we do not intend to apply for listing of the exchange notes on any national securities exchange or elsewhere. The initial purchasers in the private offering of the outstanding notes have advised us that they intend to make a market in the exchange notes as permitted by applicable laws and regulations; however, the initial purchasers are not obligated to make a market in any of

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the exchange notes, and they may discontinue their market-making activities at any time without notice. In addition, such market-making activity may be limited during the pendency of the exchange offer. Therefore, an active market for any of the exchange notes may not develop or, if developed, it may not continue.

The liquidity of any market for the notes will depend on a number of factors, including:

- the number of holders of the notes;
- our performance;
- the market for similar securities;
- the interest of securities dealers in making a market in the notes; and
- prevailing interest rates.

Given the risks inherent in an investment in the notes and the restrictions on transfer, you may have difficulty finding willing buyers for the notes. Consequently, you may not be able to liquidate your investment readily, and the notes may not be readily accepted as collateral for loans. Therefore, you should be aware that you may bear the economic risk of an investment in the notes until maturity.

If markets for the notes do not develop, you may not be able to resell your notes for an extended period of time, if at all. Consequently, your lenders may be reluctant to accept the notes as collateral for loans. In addition, in response to prevailing interest rates and market conditions generally, the notes could trade at a price lower than their initial offering price.

**The trading price of the notes may be volatile.**

The trading price of the notes could be subject to significant fluctuation in response to, among other factors, changes in our operating results, interest rates, the market for non-investment grade securities, general economic conditions, and securities analysts' recommendations regarding our securities.

**The interests of our stockholders may not be aligned with your interests as a holder of the notes.**

Stockholders control all of our affairs and policies. Circumstances may occur in which the interests of our equity holders could be in conflict with the interests of the holders of the notes. In addition, our stockholders may have an interest in pursuing acquisitions, divestitures or other transactions that, in their judgment, could enhance their equity investment, even though such transactions might involve risks to holders of the notes. For example, our stockholders may cause us or our subsidiaries to make acquisitions that increase the amount of our and our subsidiaries indebtedness or sell assets, either of which may impair the ability of our subsidiaries to make distributions to us and thus our ability to make payments under the notes.

**Federal and state fraudulent transfer laws may permit a court to void the notes and the guarantees, and if that occurs, you may not receive any payments on the notes.**

The issuance of the notes and the guarantees may be subject to review under federal and state fraudulent transfer and conveyance statutes. While the relevant laws may vary from state to state, under such laws the payment of consideration will be a fraudulent conveyance if (1) we paid the consideration with the intent of hindering, delaying or defrauding creditors or (2) we or any of the guarantors, as applicable, received less than reasonably equivalent value

Your ability to transfer the exchange notes may be limited by the absence of an active trading market, and there is no

or fair consideration in return for issuing either the notes or a guarantee, and, in the case of (2) only, one of the following is also true:

we or any of the guarantors were insolvent or rendered insolvent by reason of the incurrence of the indebtedness; payment of the consideration left us or any of the guarantors with an unreasonably small amount of capital to carry on the business;

we or any of the guarantors intended to, or believed that it would, incur debts beyond our ability to pay as they mature; or

we were a defendant in an action for money damages docketed against us if, in either case, after final judgment the judgment is unsatisfied.

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If a court were to find that the issuance of the notes or a guarantee was a fraudulent conveyance, the court could void the payment obligations under the notes or such guarantee or further subordinate the notes or such guarantee to presently existing and future indebtedness of us or such guarantor, or require the holders of the notes to repay any amounts received with respect to the notes or such guarantee. In the event of a finding that a fraudulent conveyance occurred, you may not receive any repayment on the notes.

Further, the voidance of the notes could result in an event of default with respect to our and our subsidiaries' other debt that could result in acceleration of such debt. Generally, an entity would be considered insolvent if, at the time it incurred indebtedness:

the sum of its debts, including contingent liabilities, was greater than the fair salable value of all its assets; the present fair salable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts and liabilities, including contingent liabilities, as they become absolute and mature; or it could not pay its debts as they become due.

We cannot be certain as to the standards a court would use to determine whether or not we or the guarantors were solvent at the relevant time, or regardless of the standard that a court uses, that the issuance of the notes and the guarantees would not be further subordinated to our or any of our guarantors' other debt.

We believe that at the time the notes are initially issued the Issuer and each guarantor will be:

neither insolvent nor rendered insolvent thereby;  
in possession of sufficient capital to run its businesses effectively;  
incurring indebtedness within its ability to pay as the same mature or become due; and  
holding sufficient assets to satisfy any probable money judgment against it in any pending action.

In reaching these conclusions, we have relied upon our analysis of internal cash flow projections, which, among other things, assume that we will in the future realize certain selling price and volume increases and favorable changes in business mix, and estimated values of assets and liabilities. We cannot assure you, however, that a court passing on such questions would reach the same conclusions. Further, to the extent that the notes are guaranteed in the future by any subsidiary, a court passing on such guarantor regarding any such guarantee could conclude that such guarantee constituted a fraudulent conveyance or transfer.

The indenture governing the notes contains a provision intended to limit each guarantor's liability to the maximum amount that it could incur without causing the incurrence of obligations under its guarantee to be a fraudulent transfer. This provision may not be effective to protect the guarantees from being voided under fraudulent transfer law, or may eliminate the guarantor's obligations or reduce the guarantor's obligations to an amount that effectively makes the guarantee worthless. In a recent Florida bankruptcy case, this kind of provision was found to be ineffective to protect the guarantees.

If the guarantees were legally challenged, any guarantee could also be subject to the claim that, since the guarantee was incurred for our benefit, and only indirectly for the benefit of the applicable guarantor, the obligations of the applicable guarantor were incurred for less than fair consideration. A court could thus void the obligations under the guarantees, subordinate them to the applicable guarantor's other debt or take other action detrimental to the holders of the notes.

**If a bankruptcy petition were filed by or against us, you may receive a lesser amount for your claim than you would be entitled to receive under the indenture governing the notes.**

If a bankruptcy petition were filed by or against us, you may receive a lesser amount for your claim than you would



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If a bankruptcy petition were filed by or against us under the United States Bankruptcy Code after the issuance of the notes, the claim by any holder of the notes for the principal amount of the notes may be limited to an amount equal to the sum of:

the original issue price for the notes; and

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that portion of the original issue discount, if any, that does not constitute unamortized interest for purposes of the United States Bankruptcy Code.

Any original issue discount that was not amortized as of the date of the bankruptcy filing would constitute unamortized interest. Accordingly, holders of the notes under these circumstances may receive a lesser amount than they would be entitled to under the terms of the indenture governing the notes, even if sufficient funds are available.

## **Risks Relating to our Business**

### **If BRMG or any of our other contracted radiology practices terminate their agreements with us, our business could substantially diminish.**

Our relationship with BRMG and our other radiology groups is an integral part of our business. Through our management agreement, BRMG provides all of the professional medical services at 93 of our 103 California facilities. Professional medical services are provided at the balance of our other facilities through management contracts with other radiology groups. BRMG and these other radiology groups contract with various other independent physicians and physician groups to provide all of the professional medical services at most of our facilities, and they must use their best efforts to provide the professional medical services at any new facilities that we open or acquire in their areas of operation. In addition, BRMG and the other radiology groups' strong relationships with referring physicians are largely responsible for the revenue generated at the facilities they service. Although our management agreement with BRMG runs until 2014, and for terms as long, if not longer, with the other groups, BRMG and the other radiology groups have the right to terminate the agreements if we default on our obligations and fail to cure the default. Also, the various radiology groups' ability to continue performing under the management agreements may be curtailed or eliminated due to the groups' financial difficulties, loss of physicians or other circumstances. If the radiology groups cannot perform their obligations to us, we would need to contract with one or more other radiology groups to provide the professional medical services at the facilities serviced by the group. We may not be able to locate radiology groups willing to provide those services on terms acceptable to us, if at all. Even if we were able to do so, any replacement radiology group's relationships with referring physicians may not be as extensive as those of the terminated group. In any such event, our business could be seriously harmed. In addition, the radiology groups are party to substantially all of the managed care contracts from which we derive revenue. If we were unable to readily replace these contracts, our revenue would be negatively affected.

### **Adverse changes in general domestic and worldwide economic conditions and instability and disruption of credit markets could adversely affect our operating results, financial condition, or liquidity.**

We are subject to risk arising from adverse changes in general domestic and global economic conditions, including recession or economic slowdown and disruption of credit markets. Recent global market and economic conditions have been unprecedented and challenging with tighter credit conditions and recession in most major economies continuing through 2010. Continued concerns about the systemic impact of potential long-term and widespread recession, inflation, energy costs, geopolitical issues, the availability and cost of credit and the United States mortgage market have contributed to increased market volatility and diminished expectations for the United States economy. Added concerns fueled by the United States government's financial assistance to certain companies and other federal government's interventions in the United States financial system has led to increased market uncertainty and instability in both United States and international capital and credit markets. These conditions, combined with volatile oil prices, declining business and consumer confidence and increased unemployment, have contributed to volatility of unprecedented levels. We believe our MRI and PET/CT scan volumes were impacted in 2009 and continuing into

2010 by rising unemployment rates, the number of under-insured or uninsured patients and other conditions arising from the global economic conditions described above.

As a result of these market conditions, the cost and availability of credit has been and may continue to be adversely affected by illiquid credit markets and wider credit spreads. Concern about the stability of the markets generally and the strength of counterparties specifically has led many lenders and institutional investors to reduce, and in some cases, cease to provide funding to borrowers.

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Continued turbulence in the United States and international markets and economies may adversely affect our liquidity and financial condition, and the liquidity and financial condition of our customers. If these market conditions continue, they may limit our ability, and the ability of our customers, to timely replace maturing liabilities, and access the capital markets to meet liquidity needs, resulting in adverse effects on our financial condition and results of operations.

**We have experienced operating losses and we have a substantial accumulated equity deficit. If we are unable to improve our financial performance, we may be unable to pay our obligations.**

We have incurred net losses attributable to RadNet, Inc. common stockholders of \$16.2 million, \$2.3 million, \$12.8 million and \$18.1 million, for the nine months ended September 30, 2010 and for the years ended December 31, 2009, 2008 and 2007, respectively. As of September 30, 2010, our RadNet, Inc. accumulated equity deficit was \$87.6 million. We cannot provide any assurances as to the likelihood, timing, or extent of our ability to achieve net income from operations. If we cannot generate income from operations in sufficient amounts, we will not be able to pay our obligations as they become due. Our inability to generate income from operations to pay our obligations could adversely impact our business, financial condition and results of operations.

**Our success depends in part on our key personnel and loss of key executives could adversely affect our operations. In addition, former employees and radiology practices we have previously contracted with could use the experience and relationships developed while employed or under contract with us to compete with us.**

Our success depends in part on our ability to attract and retain qualified senior and executive management, managerial and technical personnel. Competition in recruiting these personnel may make it difficult for us to continue our growth and success. The loss of their services or our inability in the future to attract and retain management and other key personnel could hinder the implementation of our business strategy. The loss of the services of Dr. Howard G. Berger, our President and Chief Executive Officer, and Norman R. Hames or Stephen M. Forthuber, our Chief Operating Officers, west and east coast, respectively, could have a significant negative impact on our operations. We believe that they could not easily be replaced with executives of equal experience and capabilities. We do not maintain key person insurance on the life of any of our executive officers with the exception of a \$5.0 million policy on the life of Dr. Berger. Also, if we lose the services of Dr. Berger, our relationship with BRMG could deteriorate, which would materially adversely affect our business.

Many of the states in which we operate do not enforce agreements that prohibit a former employee from competing with a former employer. As a result, many of our employees whose employment is terminated are free to compete with us, subject to prohibitions on the use of confidential information and, depending on the terms of the employee's employment agreement, on solicitation of existing employees and customers. A former executive, manager or other key employee who joins one of our competitors could use the relationships he or she established with third party payors, radiologists or referring physicians while our employee and the industry knowledge he or she acquired during that tenure to enhance the new employer's ability to compete with us.

The agreements with most of our radiology practices contain non-compete provisions, however, the enforceability of these provisions is determined by a court based on all the facts and circumstances of the specific case at the time enforcement is sought. Our inability to enforce radiologists' non-compete provisions could result in increased

We have experienced operating losses and we have a substantial accumulated equity deficit. If we are unable to im

competition from individuals who are knowledgeable about our business strategies and operations.

**The California budget crisis, if not successfully resolved could have an impact on our revenue.**

California is experiencing a budget crisis which has resulted in significant state government cutbacks. 103 of our 192 facilities are located in California. One to one-and-one-half percent (1% to 1.5%) of our revenues come from the California Medicaid program (\$5 million to \$7.5 million). To the extent California is unable to provide these payments on a timely basis, or at all, our revenues will be negatively impacted.

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**Our failure to integrate the businesses we acquire successfully and on a timely basis could reduce our profitability.**

We may never realize expected synergies, business opportunities and growth prospects in connection with our acquisitions. We may experience increased competition that limits our ability to expand our business. We may not be able to capitalize on expected business opportunities, assumptions underlying estimates of expected cost savings may be inaccurate, or general industry and business conditions may deteriorate. In addition, integrating operations will require significant efforts and expenses on our part. Personnel may leave or be terminated because of an acquisition.

Our management may have its attention diverted while trying to integrate an acquisition. If these factors limit our ability to integrate the operations of an acquisition successfully or on a timely basis, our expectations of future results of operations, including certain cost savings and synergies as a result of the acquisition, may not be met. In addition, our growth and operating strategies for a target's business may be different from the strategies that the target company pursued prior to our acquisition. If our strategies are not the proper strategies, it could have a material adverse effect on our business, financial condition and results of operations.

**Our ability to generate revenue depends in large part on referrals from physicians.**

A significant reduction in physician referrals would have a negative impact on our business. We derive substantially all of our net revenue, directly or indirectly, from fees charged for the diagnostic imaging services performed at our facilities. We depend on referrals of patients from unaffiliated physicians and other third parties who have no contractual obligations to refer patients to us for a substantial portion of the services we perform. If a sufficiently large number of these physicians and other third parties were to discontinue referring patients to us, our scan volume could decrease, which would reduce our net revenue and operating margins. Further, commercial third-party payors have implemented programs that could limit the ability of physicians to refer patients to us. For example, prepaid healthcare plans, such as health maintenance organizations, sometimes contract directly with providers and require their enrollees to obtain these services exclusively from those providers. Some insurance companies and self-insured employers also limit these services to contracted providers. These closed panel systems are now common in the managed care environment. Other systems create an economic disincentive for referrals to providers outside the system's designated panel of providers. If we are unable to compete successfully for these managed care contracts, our results and prospects for growth could be adversely affected.

**Pressure to control healthcare costs could have a negative impact on our results.**

One of the principal objectives of health maintenance organizations and preferred provider organizations is to control the cost of healthcare services. Healthcare providers participating in managed care plans may be required to refer diagnostic imaging tests to certain providers depending on the plan in which a covered patient is enrolled. In addition, managed care contracting has become very competitive, and reimbursement schedules are at or below Medicare reimbursement levels. The expansion of health maintenance organizations, preferred provider organizations and other managed care organizations within the geographic areas covered by our network could have a negative impact on the utilization and pricing of our services, because these organizations will exert greater control over patients' access to diagnostic imaging services, the selections of the provider of such services and reimbursement rates for those services.

**If our contracted radiology practices, including BRMG, lose a significant number of their radiologists, our financial results could be adversely affected.**

At times, there has been a shortage of qualified radiologists in some of the regional markets we serve. In addition, competition in recruiting radiologists may make it difficult for our contracted radiology practices to maintain adequate levels of radiologists. If a significant number of radiologists terminates their relationships with our contracted radiology practices and those radiology practices cannot recruit sufficient qualified radiologists to fulfill their obligations under our agreements with them, our ability to maximize the use of our diagnostic imaging facilities and our financial results could be adversely affected. For example, in fiscal 2002, due to a shortage of qualified radiologists in the marketplace, BRMG experienced difficulty in hiring and retaining physicians and thus engaged independent contractors and part-time fill-in physicians. Their cost was double the salary of a regular BRMG full-time physician. Increased expenses to BRMG will impact our

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financial results because the management fee we receive from BRMG, which is based on a percentage of BRMG's collections, is adjusted annually to take into account the expenses of BRMG. Neither we, nor our contracted radiology practices, maintain insurance on the lives of any affiliated physicians.

**We may not be able to successfully grow our business, which would adversely affect our financial condition and results of operations.**

Our ability to successfully expand through acquiring facilities, developing new facilities, adding equipment at existing facilities, and directly or indirectly entering into contractual relationships with high-quality radiology practices depends upon many factors, including our ability to:

- identify attractive and willing candidates for acquisitions;
- identify locations in existing or new markets for development of new facilities;
- comply with legal requirements affecting our arrangements with contracted radiology practices, including state prohibitions on fee-splitting, corporate practice of medicine and self-referrals;
- obtain regulatory approvals where necessary and comply with licensing and certification requirements applicable to our diagnostic imaging facilities, the contracted radiology practices and the physicians associated with the contracted radiology practices;

- recruit a sufficient number of qualified radiology technologists and other non-medical personnel;
- expand our infrastructure and management; and

compete for opportunities. We may not be able to compete effectively for the acquisition of diagnostic imaging facilities. Our competitors may have more established operating histories and greater resources than we do. Competition may also make any acquisitions more expensive.

Acquisitions involve a number of special risks, including the following:

- inability to obtain adequate financing;
- possible adverse effects on our operating results;
- diversion of management's attention and resources;
- failure to retain key personnel;
- difficulties in integrating new operations into our existing infrastructure; and
- amortization or write-offs of acquired intangible assets, including goodwill.

If we are unable to successfully grow our business through acquisitions it could have an adverse effect on our financial condition and results of operations.

**We may become subject to professional malpractice liability, which could be costly and negatively impact our business.**

The physicians employed by our contracted radiology practices are from time to time subject to malpractice claims. We structure our relationships with the practices under our management agreements in a manner that we believe does not constitute the practice of medicine by us or subject us to professional malpractice claims for acts or omissions of physicians employed by the contracted radiology practices. Nevertheless, claims, suits or complaints relating to services provided by the contracted radiology practices have been asserted against us in the past and may be asserted against us in the future. In addition, we may be subject to professional liability claims, including, without limitation, for improper use or malfunction of our diagnostic imaging equipment or for accidental contamination or injury from exposure to radiation. We may not be able to maintain adequate liability insurance to protect us against those claims at acceptable costs or at all.

We may not be able to successfully grow our business, which would adversely affect our financial condition and results of operations.



Any claim made against us that is not fully covered by insurance could be costly to defend, result in a substantial damage award against us and divert the attention of our management from our operations, all of which could have an adverse effect on our financial performance. In addition, successful claims against us

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may adversely affect our business or reputation. Although California places a \$250,000 limit on non-economic damages for medical malpractice cases, no limit applies to economic damages and no such limits exist in the other states in which we now provide services.

**We may not receive payment from some of our healthcare provider customers because of their financial circumstances.**

Some of our healthcare provider customers do not have significant financial resources, liquidity or access to capital. If these customers experience financial difficulties they may be unable to pay us for the equipment and services that we provide. A significant deterioration in general or local economic conditions could have a material adverse effect on the financial health of certain of our healthcare provider customers. As a result, we may have to increase the amounts of accounts receivables that we write-off, which would adversely affect our financial condition and results of operations.

**Some of our imaging modalities use radioactive materials, which generate regulated waste and could subject us to liabilities for injuries or violations of environmental and health and safety laws.**

Some of our imaging procedures use radioactive materials, which generate medical and other regulated wastes. For example, patients are injected with a radioactive substance before undergoing a PET scan. Storage, use and disposal of these materials and waste products present the risk of accidental environmental contamination and physical injury. We are subject to federal, state and local regulations governing storage, handling and disposal of these materials. We could incur significant costs and the diversion of our management's attention in order to comply with current or future environmental and health and safety laws and regulations. Also, we cannot completely eliminate the risk of accidental contamination or injury from these hazardous materials. Although we believe that we maintain professional liability insurance coverage consistent with industry practice in the event of an accident, we could be held liable for any resulting damages, and any liability could exceed the limits of or fall outside the coverage of our professional liability insurance.

**We experience competition from other diagnostic imaging companies and hospitals, and this competition could adversely affect our revenue and business.**

The market for diagnostic imaging services is highly competitive. We compete principally on the basis of our reputation, our ability to provide multiple modalities at many of our facilities, the location of our facilities and the quality of our diagnostic imaging services. We compete locally with groups of radiologists, established hospitals, clinics and other independent organizations that own and operate imaging equipment. Our competitors include Alliance Healthcare Services, Inc., Diagnostic Imaging Group, InSight Health Services Corp. and American Radiology Services. Some of our competitors may now or in the future have access to greater financial resources than we do and may have access to newer, more advanced equipment. In addition, some physician practices have established their own diagnostic imaging facilities within their group practices and compete with us. We are experiencing increased competition as a result of such activities, and if we are unable to successfully compete, our business and financial condition would be adversely affected.

**Technological change in our industry could reduce the demand for our services and require us to incur significant costs to upgrade our equipment.**

The development of new technologies or refinements of existing modalities may require us to upgrade and enhance our existing equipment before we may otherwise intend. Many companies currently manufacture diagnostic imaging equipment. Competition among manufacturers for a greater share of the diagnostic imaging equipment market may result in technological advances in the speed and imaging capacity of new equipment. This may accelerate the obsolescence of our equipment, and we may not have the financial ability to acquire the new or improved equipment and may not be able to maintain a competitive equipment base. In addition, advances in technology may enable physicians and others to perform diagnostic imaging procedures without us. If we are unable to deliver our services in the efficient and effective manner that payors, physicians and patients expect and thus our revenue could substantially decrease.

**A failure to meet our capital expenditure requirements could adversely affect our business.**

We operate in a capital intensive, high fixed-cost industry that requires significant amounts of capital to fund operations, particularly the initial start-up and development expenses of new diagnostic imaging facilities

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and the acquisition of additional facilities and new diagnostic imaging equipment. We incur capital expenditures to, among other things, upgrade and replace existing equipment for existing facilities and expand within our existing markets and enter new markets. To the extent we are unable to generate sufficient cash from our operations, funds are not available from our lenders or we are unable to structure or obtain financing through operating leases, long-term installment notes or capital leases, we may be unable to meet our capital expenditure requirements.

**Because we have high fixed costs, lower scan volumes per system could adversely affect our business.**

The principal components of our expenses, excluding depreciation, consist of debt service, capital lease payments, compensation paid to technologists, salaries, real estate lease expenses and equipment maintenance costs. Because a majority of these expenses are fixed, a relatively small change in our revenue could have a disproportionate effect on our operating and financial results depending on the source of our revenue. Thus, decreased revenue as a result of lower scan volumes per system could result in lower margins, which could materially adversely affect our business.

**Capitation fee arrangements could reduce our operating margins.**

For the nine months ended September 30, 2010, we derived approximately 15.4% of our revenue from capitation arrangements, and we intend to increase the revenue we derive from capitation arrangements in the future. Under capitation arrangements, the payor pays a pre-determined amount per-patient per-month in exchange for us providing all necessary covered services to the patients covered under the arrangement. These contracts pass much of the financial risk of providing diagnostic imaging services, including the risk of over-use, from the payor to the provider. Our success depends in part on our ability to negotiate effectively, on behalf of the contracted radiology practices and our diagnostic imaging facilities, contracts with health maintenance organizations, employer groups and other third-party payors for services to be provided on a capitated basis and to efficiently manage the utilization of those services. If we are not successful in managing the utilization of services under these capitation arrangements or if patients or enrollees covered by these contracts require more frequent or extensive care than anticipated, we would incur unanticipated costs not offset by additional revenue, which would reduce operating margins.

**We may be unable to effectively maintain our equipment or generate revenue when our equipment is not operational.**

Timely, effective service is essential to maintaining our reputation and high use rates on our imaging equipment. Although we have an agreement with GE Medical Systems pursuant to which it maintains and repairs the majority of our imaging equipment, this agreement does not compensate us for loss of revenue when our systems are not fully operational and our business interruption insurance may not provide sufficient coverage for the loss of revenue. Also, GE Medical Systems may not be able to perform repairs or supply needed parts in a timely manner, which could result in a loss of revenue. Therefore, if we experience more equipment malfunctions than anticipated or if we are unable to promptly obtain the service necessary to keep our equipment functioning effectively, our ability to provide services would be adversely affected and our revenue could decline.

**Disruption or malfunction in our information systems could adversely affect our business.**

Our information technology system is vulnerable to damage or interruption from:

earthquakes, fires, floods and other natural disasters;  
power losses, computer systems failures, internet and telecommunications or data network failures, operator negligence, improper operation by or supervision of employees, physical and electronic losses of data and similar events; and  
computer viruses, penetration by hackers seeking to disrupt operations or misappropriate information and other breaches of security.

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We rely on our information systems to perform functions critical to our ability to operate, including patient scheduling, billing, collections, image storage and image transmission. Accordingly, an extended interruption in the system's function could significantly curtail, directly and indirectly, our ability to conduct our business and generate revenue.

### **We are vulnerable to earthquakes, harsh weather and other natural disasters.**

Our corporate headquarters and 103 of our facilities are located in California, an area prone to earthquakes and other natural disasters. Three of our facilities are located in an area of Florida that has suffered from hurricanes. Some of our facilities have been affected by snow and other harsh weather conditions, particularly in February 2010, when winter snow storms in the mid-Atlantic region, including Maryland, Delaware and New Jersey, caused us to close many of our facilities for up to five business days. An earthquake, harsh weather conditions or other natural disaster could decrease scan volume during affected periods and seriously impair our operations. Damage to our equipment or interruption of our business would adversely affect our financial condition and results of operations.

### **If we are unable to generate or borrow sufficient cash to make payments on our indebtedness or to refinance our indebtedness on acceptable terms, our financial condition would be materially harmed, our business may fail and you may lose all of your investment.**

Our ability to make scheduled payments on or to refinance our obligations with respect to our debt will depend on our financial and operating performance, which will be affected by general economic, financial, competitive, business and other factors beyond our control. As a result of the recent global market and economic conditions, the cost and availability of credit and equity capital have been severely impacted. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to service our debt or to fund our other liquidity needs. If we are unable to meet our debt obligations or fund our other liquidity needs, we may need to restructure or refinance all or a portion of our debt on or before maturity or sell certain of our assets. We cannot assure you that we will be able to restructure or refinance any of our debt on commercially reasonable terms, if at all, which could cause us to default on our debt obligations and impair our liquidity. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations.

## **Risks Related to Government Regulation of Our Business**

### **The regulatory framework in which we operate is uncertain and evolving.**

Healthcare laws and regulations may change significantly in the future. We continuously monitor these developments and modify our operations from time to time as the regulatory environment changes. We cannot assure you, however, that we will be able to adapt our operations to address new regulations or that new regulations will not adversely affect our business. In addition, although we believe that we are operating in compliance with applicable federal and state laws, neither our current or anticipated business operations nor the operations of the contracted radiology practices have been the subject of judicial or regulatory interpretation. We cannot assure you that a review of our business by courts or regulatory authorities will not result in a determination that could adversely affect our operations

or that the healthcare regulatory environment will not change in a way that restricts our operations.

Certain states have enacted statutes or adopted regulations affecting risk assumption in the healthcare industry, including statutes and regulations that subject any physician or physician network engaged in risk-based managed care contracting to applicable insurance laws and regulations. These laws and regulations, if adopted in the states in which we operate, may require physicians and physician networks to meet minimum capital requirements and other safety and soundness requirements. Implementing additional regulations or compliance requirements could result in substantial costs to us and the contracted radiology practices and limit our ability to enter into capitation or other risk-sharing managed care arrangements.

**Changes in the method or rates of third-party reimbursement could have a negative impact on our results.**

From time to time, changes designed to contain healthcare costs have been implemented, some of which have resulted in decreased reimbursement rates for diagnostic imaging services that impact our business. For

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services for which we bill Medicare directly, we are paid under the Medicare Physician Fee Schedule, which is updated on an annual basis. Under the Medicare statutory formula, payments under the Physician Fee Schedule would have decreased for the past several years if Congress failed to intervene. For example, for 2008, the fee schedule rates were to be reduced by approximately 10.1%. The Medicare, Medicaid and SCHIP Extension Act of 2007 eliminated the 10.1% reduction for 2008 and increased the annual payment rate update by 0.5%. This increase to the annual Medicare Physician Fee Schedule payment update was effective only for Medicare claims with dates of service between January 1, 2008 and June 30, 2008. Beginning July 1, 2008, under the Medicare Improvement for Patients and Providers Act of 2008 ( MIPPA ), the 0.5% increase was continued for the rest of 2008. In addition, MIPPA established a 1.1% increase to the Medicare Physician Fee Schedule payment update for 2009. For 2010, the Centers for Medicare and Medicaid Services ( CMS ) projected a rate reduction of 21.2%. On December 19, 2009, President Obama signed into law the Department of Defense Appropriations Act, 2010 which includes a zero percent Medicare physician update through February 28, 2010. This was further extended through March 31, 2010 and later through May 31, 2010 by the Temporary Extension Act of 2010 and the Continuing Extension Act of 2010, signed into law by President Obama on March 2, 2010 and April 15, 2010, respectively. Further action was taken on June 25, 2010, when the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010 was signed into law. Section 101 of Pub. L. 111-192 provides for a 2.2% update to the 2010 Physician Fee Schedule effective for dates of service June 1, 2010 through November 30, 2010. This 2.2% update was extended through December 31, 2010, when President Obama signed into law the Physician Payment and Therapy Relief Act of 2010 on November 30, 2010. The final Calendar Year 2011 Medicare Physician Fee Schedule was published in the Federal Register on November 29, 2010. Payments were scheduled to decrease 24.9% beginning January 1, 2011. However, Congress intervened and passed a measure, signed into law by President Obama on December 15, 2010, that will prevent the scheduled payment cut and will extend the current reimbursement rates, through December 31, 2011. The averted payment cut stems from the sustainable growth rate, or SGR, which helps determine annual Medicare payment rates. The SGR has called for negative physician payment updates for several years. As a result, without a more permanent fix, the potential decrease in payment beginning in Calendar Year 2012 could adversely impact our revenues and results of operation.

MIPPA also modified the methodology by which the budget neutrality formula was applied to the 2009 physician fee schedule payment rates, resulting in an overall reduction in payment rates for services performed by many specialties, including an estimated 3% reduction for radiation oncology and 1% reduction for nuclear medicine. The impact of these payment rate reductions could impact the Company's future revenue depending upon our service mix.

A number of other legislative changes impact our business. For example, the DRA imposed caps on Medicare payment rates for certain imaging services furnished in physician's offices and other non-hospital based settings. The caps impact MRI and PET/CT. Under the cap, payments for specified imaging services cannot exceed the hospital outpatient payment rates for those services. This change applies to services furnished on or after January 1, 2007. The limitation is applicable to the technical components of the diagnostic imaging services only, which is the payment we receive for the services for which we bill directly under the Medicare Physician Fee Schedule.

The DRA also codified the reduction in reimbursement for multiple images on contiguous body parts, which was previously announced by CMS. The DRA mandated payment at 100% of the technical component of the higher priced imaging procedure and 50% for the technical component of each additional imaging procedure for multiple images of contiguous body parts within a family of codes performed in the same session. Beginning in 2006, CMS had only implemented a 25% reduction for each additional imaging procedure on contiguous body parts. However, for services furnished on or after July 1, 2010, the Patient Protection and Affordable Care Act, or PPACA, requires the full 50% reduction to be implemented, as mandated by the DRA.



Regulatory updates to payment rates for which we bill the Medicare program directly are published annually by CMS in the Federal Register. For payments under the Physician Fee Schedule for calendar year 2010, CMS changed the way it calculates components of the Medicare Physician Fee Schedule. First, CMS reduced payment rates for certain diagnostic services using equipment costing more than \$1 million through revisions to usage assumptions from the current 50% usage rate to a 90% usage rate. This change applied to

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MRI and CT scans. The Health Care and Education Affordability Reconciliation Act (the Reconciliation Act ), signed into law on March 30, 2010, resets the assumed usage rate for diagnostic imaging equipment costing more than \$1 million to a rate of 75%, effective for payments made under the 2011 Medicare Physician Fee Schedule and subsequent years. Further with respect to its 2010 changes, CMS also reduced payment for services primarily involving the technical component rather than the physician work component, including the services we provide, by adjusting downward malpractice payments for these services. The reductions primarily impacted radiology and other diagnostic tests. All these changes to the Medicare Physician Fee Schedule will be transitioned over a four-year period such that beginning in 2013, CMS will fully implement the revised payment rates. For the 2010 transitioned payment, CMS estimates the impact of its changes will result in a 5% reduction in radiology, 18% reduction in nuclear medicine and 12% reduction for all suppliers providing the technical component of diagnostic tests generally.

### **State and federal anti-kickback and anti-self-referral laws may adversely affect income.**

Various federal and state laws govern financial arrangements among healthcare providers. The federal Anti-kickback Law prohibits the knowing and willful offer, payment, solicitation or receipt of any form of remuneration in return for, or to induce, the referral of Medicare, Medicaid, or other federal healthcare program patients, or in return for, or to induce, the purchase, lease or order of items or services that are covered by Medicare, Medicaid, or other federal healthcare programs. Similarly, many state laws prohibit the solicitation, payment or receipt of remuneration in return for, or to induce the referral of patients in private as well as government programs. Violation of these Anti-kickback Laws may result in substantial civil or criminal penalties for individuals or entities and/or exclusion from federal or state healthcare programs. We believe we are operating in compliance with applicable law and believe that our arrangements with providers would not be found to violate the Anti-kickback Laws. However, these laws could be interpreted in a manner inconsistent with our operations.

Federal law prohibiting physician self-referrals, known as the Stark Law, prohibits a physician from referring Medicare or Medicaid patients to an entity for certain designated health services if the physician has a prohibited financial relationship with that entity, unless an exception applies. Certain radiology services are considered designated health services under the Stark Law. Although we believe our operations do not violate the Stark Law, our activities may be challenged. If a challenge to our activities is successful, it could have an adverse effect on our operations. In addition, legislation may be enacted in the future that further addresses Medicare and Medicaid fraud and abuse or that imposes additional requirements or burdens on us.

In addition, under the DRA, states enacting false claims statutes similar to the federal False Claims Act, which establish liability for submission of fraudulent claims to the State Medicaid program and contain qui tam or whistleblower provisions, receive an increased percentage of any recovery from a State Medicaid judgment or settlement. Adoption of new false claims statutes in states where we operate may impose additional requirements or burdens on us.

### **Complying with federal and state regulations is an expensive and time-consuming process, and any failure to comply could result in substantial penalties.**

We are directly or indirectly through the radiology practices with which we contract subject to extensive regulation by both the federal government and the state governments in which we provide services, including:

the federal False Claims Act;  
the federal Medicare and Medicaid Anti-kickback Laws, and state anti-kickback prohibitions;  
federal and state billing and claims submission laws and regulations;  
the federal Health Insurance Portability and Accountability Act of 1996 ( HIPAA ), as amended by the Health Information Technology for Economic and Clinical Health Act of 2009 ( HITECH ), and comparable state laws;  
the federal physician self-referral prohibition commonly known as the Stark Law and the state equivalent of the Stark Law;

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state laws that prohibit the practice of medicine by non-physicians and prohibit fee-splitting arrangements involving physicians;  
federal and state laws governing the diagnostic imaging and therapeutic equipment we use in our business concerning patient safety, equipment operating specifications and radiation exposure levels; and  
state laws governing reimbursement for diagnostic services related to services compensable under workers compensation rules.

If our operations are found to be in violation of any of the laws and regulations to which we or the radiology practices with which we contract are subject, we may be subject to the applicable penalty associated with the violation, including civil and criminal penalties, damages, fines and the curtailment of our operations. Any penalties, damages, fines or curtailment of our operations, individually or in the aggregate, could adversely affect our ability to operate our business and our financial results. The risks of our being found in violation of these laws and regulations is increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. Any action brought against us for violation of these laws or regulations, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business.

**If we fail to comply with various licensure, certification and accreditation standards, we may be subject to loss of licensure, certification or accreditation, which would adversely affect our operations.**

Ownership, construction, operation, expansion and acquisition of our diagnostic imaging facilities are subject to various federal and state laws, regulations and approvals concerning licensing of personnel, other required certificates for certain types of healthcare facilities and certain medical equipment. In addition, freestanding diagnostic imaging facilities that provide services independent of a physician's office must be enrolled by Medicare as an independent diagnostic treatment facility, or IDTF, to bill the Medicare program. Medicare carriers have discretion in applying the IDTF requirements and therefore the application of these requirements may vary from jurisdiction to jurisdiction. In addition, federal legislation requires all suppliers that provide the technical component of diagnostic MRI, PET/CT, CT, and nuclear medicine to be accredited by an accreditation organization designated by CMS (which currently include the American College of Radiology (ACR), the Intersocietal Accreditation Commission (IAC) and the Joint Commission) by January 1, 2012. Our MRI, CT, nuclear medicine, ultrasound and mammography facilities are currently accredited by the ACR. We may not be able to receive the required regulatory approvals or accreditation for any future acquisitions, expansions or replacements, and the failure to obtain these approvals could limit the opportunity to expand our services.

Our facilities are subject to periodic inspection by governmental and other authorities to assure continued compliance with the various standards necessary for licensure and certification. If any facility loses its certification under the Medicare program, then the facility will be ineligible to receive reimbursement from the Medicare and Medicaid programs. For the year ended December 31, 2009, approximately 23% of our net revenue came from the Medicare and Medicaid programs. A change in the applicable certification status of one of our facilities could adversely affect our other facilities and in turn us as a whole. We have experienced a slowdown in the credentialing of our physicians over the last several years which has lengthened our billing and collection cycle, and could negatively impact our ability to collect revenue from patients covered by Medicare. Credentialing of physicians is required by our payors prior to commencing payment.

**Our agreements with the contracted radiology practices must be structured to avoid the corporate practice of medicine and fee-splitting.**

State law prohibits us from exercising control over the medical judgments or decisions of physicians and from engaging in certain financial arrangements, such as splitting professional fees with physicians. These laws are enforced by state courts and regulatory authorities, each with broad discretion. A component of our business has been to enter into management agreements with radiology practices. We provide management, administrative, technical and other non-medical services to the radiology practices in exchange for a service fee typically based on a percentage of the practice's revenue. We structure our relationships with the radiology

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practices, including the purchase of diagnostic imaging facilities, in a manner that we believe keeps us from engaging in the practice of medicine or exercising control over the medical judgments or decisions of the radiology practices or their physicians, or violating the prohibitions against fee-splitting. There can be no assurance that our present arrangements with BRMG or the physicians providing medical services and medical supervision at our imaging facilities will not be challenged, and, if challenged, that they will not be found to violate the corporate practice of medicine or fee splitting prohibitions, thus subjecting us to potential damages, injunction and/or civil and criminal penalties or require us to restructure our arrangements in a way that would affect the control or quality of our services and/or change the amounts we receive under our management agreements. Any of these results could jeopardize our business.

**Newly enacted and future federal legislation could limit the prices we can charge for our services, which would reduce our revenue and adversely affect our operating results.**

The PPACA and the Reconciliation Act introduced certain changes that may result in decreased revenue for the scans we perform. Among other things, the new legislation will adjust Medicare payment rates for physician imaging services in an attempt to better reflect actual usage, by revising upward the assumed usage rate for diagnostic imaging equipment costing more than \$1 million. For certain diagnostic services performed on or after January 1, 2011, the legislation reduces the assumed usage rate for such equipment from CMS's current rate of 90% to a rate of 75%, resulting in an increase in payment rates for such services. The new legislation also adjusts the technical component discount on single-session imaging studies on contiguous body parts from 25% to 50% as initially mandated by DRA.

These latter changes will reduce payments for the applicable services and thus may result in a decrease in the associated revenues we receive. Other changes in reimbursement for services rendered by Medicare Advantage plans may reduce the revenues we receive for services rendered to Medicare Advantage enrollees.

We cannot predict at this time the full impact of the healthcare reform measures, nor can we predict the extent to which future reform measures may be initiated and implemented.

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## FORWARD-LOOKING STATEMENTS

This prospectus includes statements under the captions Prospectus Summary, Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations, Business and elsewhere in this prospectus that are not statements of historical fact that constitute forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). These statements relate to future events or our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as may, will, should, expect, intend, plan, anticipate, believe, estimate, predict, potential, could, or other negative of these terms or other comparable terminology. The forward-looking statements contained herein reflect our current views with respect to future events and are based on our currently available financial, economic and competitive data and on current business plans. Actual events or results may differ materially depending on risks and uncertainties that may affect our operations, markets, services, prices and other factors.

We intend that all forward-looking statements made will be subject to the safe harbor protection of the federal securities laws pursuant to Section 27A of the Securities Act and Section 21E of the Exchange Act. Forward-looking statements are based upon, among other things, our assumptions with respect to:

future revenues;

expected performance and cash flows;

changes in regulations affecting the Issuer;

changes in third-party reimbursement rates;

the outcome of litigation;

the availability of radiologists at Beverly Radiology Medical Group III and our other contracted radiology practices;

competition;

acquisitions and divestitures of businesses;

joint ventures and other business arrangements;

access to capital and the terms relating thereto;

technological changes in our industry;

successful execution of internal plans;

compliance with our debt covenants; and

anticipated costs of capital investments.

Although forward-looking statements reflect management's good faith beliefs, they involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise. These forward-looking statements are subject to numerous risks and uncertainties described in Risk Factors. Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements included in this prospectus are made only as of the date hereof. We do not undertake and specifically decline any obligation to update any such statements or to publicly announce the results of any revisions to any of such statements to reflect future events or developments.





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## THE REFINANCING TRANSACTIONS

On April 6, 2010, Radnet Management issued and sold \$200,000,000 in 10 3/8% senior notes due 2018, which are the subject of the exchange offer described in this prospectus, to the initial purchasers, Deutsche Bank Securities Inc., Barclays Capital Inc., RBC Capital Markets Corporation and Jefferies & Company Inc. All payments of the 10 3/8% senior notes due 2018, including principal and interest, are guaranteed jointly and severally on a senior unsecured basis by RadNet, Inc. and all of Radnet Management's current and future domestic wholly owned restricted subsidiaries. The 10 3/8% notes due 2018 were issued under an indenture, dated April 6, 2010, by and among Radnet Management, as issuer, RadNet, Inc., as parent guarantor, certain of the subsidiary guarantors listed on the Table of Additional Registrant Guarantors, and U.S. Bank National Association, as trustee, in a private transaction that was not subject to the registration requirements of the Securities Act. Please refer to the section entitled Description of Notes for additional information on the material provisions of the indenture and the notes.

In connection with the sale of the 10 3/8% senior notes due 2018, Radnet Management, RadNet, Inc. and certain of the guarantors listed on the Table of Additional Registrant Guarantors entered into a registration rights agreement, dated as of April 6, 2010, with Deutsche Bank Securities Inc. and Barclays Capital Inc., as the representatives of the initial purchasers of the Notes. Pursuant to this registration rights agreement, Radnet Management, RadNet, Inc. and the other subsidiary guarantors listed on the Table of Additional Registrant Guarantors agreed to file a registration statement in connection with, and to consummate an exchange offer enabling holders of the 10 3/8% senior notes due 2018 to exchange the 10 3/8% senior notes due 2018 for publicly registered exchange notes with nearly identical terms.

On April 6, 2010, Radnet Management entered into a Credit and Guaranty Agreement with Barclays Capital, Deutsche Bank Securities Inc., GE Capital Markets, Inc. and Royal Bank of Canada, as joint bookrunners and joint lead arrangers, Barclays Bank PLC, as administrative agent and collateral agent, and certain other lenders, whereby Radnet Management obtained \$385,000,000 in senior secured first lien bank financing, consisting of (i) a \$285,000,000, six-year term loan facility and (ii) a \$100,000,000, five-year revolving credit facility, including a swing line subfacility and a letter of credit subfacility. Radnet Management's obligations under this Credit and Guaranty Agreement are unconditionally guaranteed by RadNet, Inc., all of Radnet Management's current and future wholly owned domestic subsidiaries as well as certain affiliates, including Beverly Radiology Medical Group III and its equity holders (Beverly Radiology Medical Group, Inc., BreastLink Medical Group, Inc. and ProNet Imaging Medical Group, Inc.). See Selected Historical Consolidated Financial Data, Certain Relationships and Related Party Transactions and Description of Other Indebtedness. These New Credit Facilities created by the Credit and Guaranty Agreement are secured by a perfected first priority security interest in all of Radnet Management's and the guarantors tangible and intangible assets, including, but not limited to, pledges of equity interests of Radnet Management and all of our current and future wholly owned domestic subsidiaries.

In connection with the issuance of the 10 3/8% senior notes due 2018 and entering into the Credit and Guaranty Agreement, Radnet Management used the net proceeds from the issuance of the 10 3/8% senior notes due 2018 and the New Credit Facilities created by the Credit and Guaranty Agreement to repay all outstanding amounts under its existing first lien term loan for \$242.6 million in aggregate principal amount outstanding, which would have matured on November 15, 2012, and the existing second lien term loan for \$170.0 million in aggregate principal amount outstanding, which would have matured on November 15, 2013.

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## **USE OF PROCEEDS**

We will not receive any cash proceeds from the issuance of the exchange notes pursuant to the exchange offer. In consideration for issuing the exchange notes as contemplated in this prospectus, we will receive in exchange a like principal amount of outstanding notes, the terms of which are identical in all material respects to the exchange notes.

The outstanding notes surrendered in exchange for the exchange notes will be retired and canceled and cannot be reissued. Accordingly, the issuance of the exchange notes will not result in any change in our capitalization.

TABLE OF CONTENTS**CAPITALIZATION**

The following table sets forth our cash and cash equivalents and capitalization as of September 30, 2010.

You should read this table in conjunction with the information contained in The Refinancing Transactions, Selected Historical Consolidated Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as our consolidated financial statements and the notes thereto included elsewhere in this prospectus.

	As of September 30, 2010 (unaudited) (in millions)
Cash and cash equivalents	\$ 24.5
Debt	
Revolving Credit Facility	\$
Term Loan	283.6
Total Bank Debt	283.6
Capital Leases and other secured notes	23.7
Total Secured Debt	307.3
10 3/8% Senior Unsecured Notes offered hereby	197.4 <sup>(1)</sup>
Other Unsecured Debt	0.8
Total Debt	505.5
Equity Deficit	
Common stock \$0.0001 par value, 200,000,000 shares authorized, 36,979,725 shares issued and outstanding	
Paid-in capital	161.0
Accumulated other comprehensive loss	(2.5 )
Accumulated deficit	(246.1 )
Total RadNet, Inc.'s equity deficit	(87.6 )
Noncontrolling interests	.1
Total equity deficit	(87.5 )
Total Capitalization	\$ 537.7

The outstanding notes were issued at a discount of approximately \$2.6 million and were recorded on our balance sheet at their discounted amount of \$197.4 million with the \$2.6 million discount to be amortized over the life of the notes as interest expense.

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## **UNAUDITED PRO FORMA CONDENSED FINANCIAL DATA**

On October 1, 2010, RadNet completed its acquisition of Image Medical Corporation, parent of eRAD, Inc. On December 2, 2010, RadNet completed its acquisition of five imaging centers in Northern New Jersey and a 50% equity interest in a sixth center from Progressive and certain affiliates and related entities. The following unaudited pro forma condensed consolidated financial statements of RadNet have been prepared to give effect to these completed acquisitions, which were accounted for using the purchase method of accounting.

The unaudited pro forma condensed consolidated balance sheet of RadNet as of September 30, 2010, and the unaudited pro forma condensed consolidated statements of operations of RadNet for the nine months ended September 30, 2010 and the year ended December 31, 2009, are presented herein. The unaudited pro forma condensed consolidated balance sheet of RadNet was prepared using the historical balance sheets of RadNet, eRAD and Progressive as of September 30, 2010. The unaudited pro forma condensed consolidated statements of operations were prepared using the historical statements of operations of RadNet, eRAD and Progressive for the nine months ended September 30, 2010 and for the year ended December 31, 2009.

The unaudited pro forma condensed consolidated balance sheet of RadNet gives effect to the acquisitions of eRAD and Progressive as if they had been completed on September 30, 2010, and consolidates the unaudited condensed balance sheets of RadNet, eRAD and Progressive. The unaudited pro forma condensed consolidated statements of operations for the nine months ended September 30, 2010 and for the year ended December 31, 2009 give effect to the acquisitions of eRAD and Progressive as if they had occurred on January 1, 2009.

The unaudited pro forma condensed consolidated financial statements presented are based on the assumptions and adjustments described in the accompanying notes. The unaudited pro forma condensed consolidated financial statements are presented for illustrative purposes and do not purport to represent what the financial position or results of operations actually would have been if the events described above occurred as of the dates indicated or what such financial position or results would be for any future periods. The unaudited pro forma condensed consolidated financial statements, and the accompanying notes, are based upon the respective historical consolidated financial statements of RadNet, eRAD and Progressive, and should be read in conjunction with RadNet's historical financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operation presented elsewhere herein, as well as eRAD and Progressive's financial statements presented elsewhere herein.

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**RADNET, INC.**  
**UNAUDITED PRO FORMA CONDENSED**  
**CONSOLIDATED BALANCE SHEET**  
**(IN THOUSANDS)**  
**As of September 30, 2010**

	RadNet	Progressive	Elimination of excluded eRAD imaging centers		Pro forma adjustments	Pro forma combined
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$24,462	\$1,172	\$(114) (a)	\$51	\$(25,571)(b)	\$
Accounts receivable, net	94,604	7,525	(556) (a)	733	(5,910)(c)	96,397
Prepaid expenses and other current assets	16,472	170	(12) (a)	57	(62)(d)	16,625
Total current assets	135,538	8,868	(682 ) (32) (a)	841	(31,543 )	113,022
PROPERTY AND EQUIPMENT, NET	190,031	3,214		291		193,504
<b>OTHER ASSETS</b>						
Goodwill	125,011	208			21,640 (e)	146,859
Other intangible assets	52,569				4,343 (l)	56,912
Deferred financing costs, net	16,003					16,003
Investment in joint ventures	16,020					16,020
Deposits and other	2,478	452	(84) (a)	6	(291)(f)	2,562
Total assets	\$537,650	\$12,743	\$(798 )	\$1,138	\$(5,852 )	\$544,881
<b>LIABILITIES AND EQUITY DEFICIT</b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable and accrued expenses	\$84,640	\$3,067	\$(229) (a)	\$628	\$(2,635)(g)	85,470
Due to affiliates	2,382		794 (a)		(794)(h)	2,382
Deferred compensation payable				2,031	(2,031)(m)	
Deferred revenue				1,361		1,361
Current portion of notes payable	8,043			6,117	(6,117)(n)	8,043
Current portion of deferred rent	717			4		721
Obligations under capital leases, current portion	10,227	666		9	(258)(i)	10,644
Total current liabilities	106,009	3,733	565	10,150	(11,835 )	108,621

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LONG-TERM LIABILITIES

Deferred rent, net of current portion	10,638			10		10,648
Deferred taxes	277					277
Notes payable, net of current portion	480,684					480,684
Notes payable to eRAD shareholders					2,250 (o)	2,250
Line of credit					1,123 (i)	1,123
Obligations under capital leases, net of current portion	6,565	2,033		7	(1,211)(i)	7,394
Other non-current liabilities	21,004					21,004
Total liabilities	625,177	5,765	565	10,167	(9,673 )	632,001

COMMITMENTS AND CONTINGENCIES

EQUITY DEFICIT

Common stock	4					4
Paid-in-capital	161,018			4,460	(4,460)(p)	161,018
Accumulated other comprehensive loss	(2,453 )					(2,453 )
Accumulated deficit	(246,141)	5,807	(806)	(13,489)	8,488 (k)	(246,141)
Total Radnet, Inc.'s equity deficit	(87,572 )	5,807	(806 )	(9,029 )	4,028	(87,572 )
Noncontrolling interests	45	1,170	(557)		(207)(s)	452
Total equity deficit	(87,527 )	6,978	(1,363)	(9,029 )	3,821	(87,120 )
Total liabilities and equity deficit	\$537,650	\$12,743	\$(798 )	\$1,138	\$(5,852 )	\$544,881

*See accompanying notes to the unaudited pro forma condensed consolidated financial statements.*

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**RADNET, INC.**  
**UNAUDITED PRO FORMA CONDENSED**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**(IN THOUSANDS EXCEPT SHARE DATA)**  
**For the nine months ended September 30, 2010**

	RadNet	Progressive	Elimination of excluded imaging centers	eRAD	Pro forma adjustments	Pro forma combined
NET REVENUE	\$403,222	\$ 14,398	\$(1,093)(a)	\$ 3,761	\$	\$420,288
OPERATING EXPENSES						
Cost of operations	311,478	10,897	(890) (a)	3,576		325,060
Depreciation and amortization	40,153	1,051	(7) (a)	57	693 (q)	41,946
Provision for bad debts	24,603	581	(54)(a)			25,130
Loss on sale of equipment	606					606
Severance costs	731					731
Total operating expenses	377,571	12,529	(952 )	3,633	693	393,473
INCOME (LOSS) FROM OPERATIONS	25,651	1,869	(140 )	128	(693 )	26,815
OTHER EXPENSES						
Interest expense	35,477	144		48	1,049 (r)	36,718
Loss on extinguishment of debt	9,871					9,871
Other expenses (income)	1,971	(29 )	(398) (a)	6		1,550
Total other expenses	47,319	115	(398 )	54	1,049	48,139
INCOME (LOSS) BEFORE INCOME TAXES AND EQUITY IN EARNINGS OF JOINT VENTURES	(21,668 )	1,754	258	74	(1,742 )	(21,324 )
Benefit from (provision for) income taxes	(523 )			2		(521 )
Equity in earnings of joint ventures	6,114					6,114
NET INCOME (LOSS)	(16,077 )	1,754	258	76	(1,742 )	(15,731 )
Net income attributable to noncontrolling interests	75	213				288
NET INCOME (LOSS) ATTRIBUTABLE TO RADNET, INC. COMMON STOCKHOLDERS	\$(16,152 )	\$ 1,541	\$ 258	\$ 76	\$(1,742 )	\$(16,019 )
BASIC AND DILUTED NET LOSS PER SHARE ATTRIBUTABLE TO	\$(0.44 )					\$(0.44 )

RADNET, INC. UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (IN

RADNET, INC. COMMON  
STOCKHOLDERS

WEIGHTED AVERAGE  
SHARES OUTSTANDING

Basic and diluted 36,755,781 36,755,781

*See accompanying notes to the unaudited pro forma condensed consolidated financial statements.*



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**RADNET, INC.**  
**UNAUDITED PRO FORMA CONDENSED**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**(IN THOUSANDS EXCEPT SHARE DATA)**  
**For the year ended December 31, 2009**

	RadNet	Progressive	Elimination of excluded imaging centers	eRAD	Pro forma adjustments	Pro forma combined
NET REVENUE	\$ 524,368	\$ 18,448	\$(1,693)(a)	\$ 4,771	\$	\$ 545,893
OPERATING EXPENSES						
Cost of operations	397,753	13,680	(1,136) (a)	5,220		415,518
Depreciation and amortization	53,800	1,320	(10) (a)	62	924 (q)	56,096
Provision for bad debts	32,704	1,246	(63)(a)			33,886
Loss on sale of equipment	523					523
Severance costs	731					731
Total operating expenses	485,511	16,246	(1,209 )	5,282	924	506,754
INCOME (LOSS) FROM OPERATIONS	38,857	2,202	(485 )	(511 )	(924 )	39,140
OTHER EXPENSES						
Interest expense	49,193	225		197	1,362 (r)	50,977
Gain on bargain purchase	(1,387 )					(1,387 )
Other expenses (income)	1,239	(33 )	114 (a)	(4 )		1,315
Total other expenses	49,045	192				