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Proposed Counsel to the Debtors and Debtors in Possession

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

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In re:	)	Chapter 11
	)	
INSIGHT HEALTH SERVICES	)	Case No. 10-[_____] (____)
HOLDINGS CORP., <u>et al.</u> , <sup>1</sup>	)	
	)	
Debtors.	)	(Joint Administration Requested)
	)	

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<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, include: InSight Health Services Holdings Corp. (0028); InSight Health Services Corp. (2770); Comprehensive Medical Imaging Centers, Inc. (6946); Comprehensive Medical Imaging, Inc. (2473); InSight Health Corp. (8857); Maxum Health Services Corp. (5957); North Carolina Mobile Imaging I LLC (9930); North Carolina Mobile Imaging II LLC (0165); North Carolina Mobile Imaging III LLC (0251); North Carolina Mobile Imaging IV LLC (0342); North Carolina Mobile Imaging V LLC (0431); North Carolina Mobile Imaging VI LLC (0532); North Carolina Mobile Imaging VII LLC (0607); Open MRI, Inc. (1529); Orange County Regional PET Center - Irvine, LLC (0190); Parkway Imaging Center, LLC (2858); and Signal Medical Services, Inc. (2413). The location of the Debtors' corporate headquarters and the Debtors' service address is: 26250 Enterprise Court, Suite 100, Lake Forest, California 92630.

**DEBTORS' APPLICATION FOR ENTRY OF AN  
ORDER AUTHORIZING THE RETENTION AND EMPLOYMENT OF  
BMC GROUP, INC. AS NOTICE AND CLAIMS AGENT FOR THE DEBTORS**

The above-captioned debtors and debtors in possession (collectively, the “Debtors”) hereby apply to the Court, pursuant to this application (this “Application”), for the entry of an order, substantially in the form attached hereto as Exhibit A, authorizing and approving the Debtors’ employment and retention of BMC Group, Inc. (“BMC”) as notice and claims agent to the Debtors. In support of this Application, the Debtors submit the Declaration of Tinamarie Feil, the President of Client Services of BMC (the “Feil Declaration”), which is attached hereto as Exhibit B. In support of this Application, the Debtors respectfully state as follows:<sup>2</sup>

**Jurisdiction**

1. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2).
2. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.
3. The statutory bases for the relief requested herein are section 156(c) of title 28 of the United States Code, Rules 2014(a) and 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) and Rule 5075-1 of the Local Bankruptcy Rules for the Southern District of New York (the “Local Bankruptcy Rules”) and General Order M-409 of the United States Bankruptcy Court for the Southern District of New York, *In re Retention of a Claims and Noticing Agent Pursuant to 28 U.S.C. § 156(c)* (Bankr. S.D.N.Y. Sept. 22, 2010) (“General Order M-409”).

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<sup>2</sup> Additional facts and circumstances supporting this Application are set forth in the Declaration of Keith S. Kelson of InSight Health Services Holdings Corp (I) in Support of Debtors’ Chapter 11 Petitions and First Day Motions and (II) Pursuant to Local Bankruptcy Rule 1007-2 (the “First Day Declaration”), filed contemporaneously herewith and incorporated herein by reference.

## **Background**

4. The Debtors and their affiliates are a leading diagnostic medical imaging services provider that own and operate a network of 62 fixed-site imaging centers and 104 mobile facilities in more than 30 states. Through their imaging centers and mobile facilities, the Debtors provide magnetic resonance imaging, ultrasound, x-ray and other diagnostic imaging services that generate representations of internal anatomy used by physicians for the diagnosis of certain medical conditions.

5. Through a prior restructuring, the Debtors converted their subordinated unsecured debt into common equity and, thereby, reduced their debt service costs and preserved liquidity. The Debtors believed, at that time, that they would be able to maintain competitive operations without the need for further deleveraging. However, as with other businesses and individuals, the significant economic downturn of 2008 and 2009, the effects of which are still felt today, reduced demand for the Debtors' services, making it necessary for the Debtors to further restructure their debt obligations.

6. Beginning in the fall of 2010, the Debtors engaged in discussions with their revolving loan agent and major senior secured noteholders regarding a consensual debt restructuring. Prior to filing these chapter 11 cases, the Debtors successfully negotiated and obtained agreement from their major creditor constituents to the restructuring and exchange embodied in their prepackaged chapter 11 plan, filed contemporaneously herewith.

7. The proposed prepackaged plan converts all of the Debtors' senior secured notes into new common equity, eliminating more than \$290 million of debt. The plan also leaves the Debtors' general unsecured creditors unimpaired and provides them with a *full recovery* on their general unsecured claims. In connection with receiving their plan distribution, the senior secured

noteholders will convey warrants to acquire two percent of the new common stock exercisable when the enterprise value reaches a certain threshold to the Debtors' existing equity holders.

8. The Debtors launched solicitation of their plan prior to filing these chapter 11 cases to holders of the senior secured notes — the only class of claims or interests entitled to vote on the plan. As of the time of filing these chapter 11 cases, senior secured noteholders holding over two-thirds of the outstanding amount of the notes have voted to accept the plan. The Debtors expect to obtain further acceptance of the plan by the proposed December 27, 2010 voting deadline and anticipate confirming the plan expeditiously.

9. On the date hereof (the "Petition Date"), each of the Debtors filed a petition with the Court under chapter 11 of the Bankruptcy Code to effectuate the prepackaged plan, enhance liquidity and solidify their long-term growth prospects and operating performance. The Debtors are operating their businesses and managing their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No request for the appointment of a trustee or examiner has been made in these chapter 11 cases, and no committees have been appointed or designated. Concurrently with the filing of this Motion, the Debtors have requested procedural consolidation and joint administration of these chapter 11 cases.

#### **Relief Requested**

10. By this Application, the Debtors respectfully request entry of an order, pursuant to section 156(c) of title 28 of the United States Code, 28 U.S.C. § 156(c), authorizing them to employ and retain BMC, pursuant to the retention agreement (the "BMC Agreement") attached hereto as Exhibit C, as their notice and claims agent during the course of these chapter 11 cases as of the Petition Date.

## **BMC's Qualifications and Services**

11. The thousands of creditors, equity security holders and other parties in interest involved in the Debtors' chapter 11 cases may impose heavy administrative and other burdens on the Court and the Office of the Clerk of the Court (the "Clerk's Office"). To relieve the Clerk's Office of these burdens, the Debtors seek an order appointing BMC as the notice and claims agent in these chapter 11 cases pursuant to both 28 U.S.C. § 156(c) and Local Bankruptcy Rule 5075-1.

### **A. BMC's Qualifications.**

12. BMC is fully equipped to handle the volume of mailing involved in properly sending the required notices to and processing the claims of creditors and other interested parties in these chapter 11 cases. BMC will follow procedures that conform to applicable guidelines promulgated by the Clerk of the Court and the Judicial Conference, and as may be entered by the Court's order.

13. BMC is one of the country's leading chapter 11 administrators, with experience in noticing, claims administration, solicitation, balloting and facilitating other administrative aspects of chapter 11 cases. BMC has substantial experience in matters of this size and complexity, and has acted as the official notice and claims agent in many large bankruptcy cases pending in this District and other districts nationwide. See, e.g., In re Jennifer Convertibles, Inc., Case No. 10-13779 (ALG) (Bankr. S.D.N.Y. July 22, 2010); In re Fairpoint Commc'ns Inc., Case No. 09-16335 (BRL) (Bankr. S.D.N.Y. Oct. 27, 2009); In re Metaldyne Corp., Case No. 09-13412 (MG) (Bankr. S.D.N.Y. May 29, 2009); In re Ziff Davis Media Inc., Case No. 08-10768 (BRL) (Bankr. S.D.N.Y. Mar. 10, 2008); see also, e.g., In re NV Broad., LLC, Case No. 09-12473 (KG) (Bankr. D. Del. July 15, 2009).

**B. Services to Be Provided.**

14. BMC, at the request of the Debtors or the Clerk's Office, may perform claims agent and related administrative services for the Debtors in accordance with the terms of the BMC Agreement and will undertake the following services:

- a. Notify all potential creditors of the filing of the bankruptcy petitions and of the setting of the first meeting of creditors, pursuant to § 341(a) of the Bankruptcy Code, under the proper provisions of the Bankruptcy Code and the Federal Rules of Bankruptcy Procedure as determined by Debtors' counsel;
- b. Prepare and serve required notices in these chapter 11 cases, including:
  - i. a notice of the commencement of these chapter 11 cases and the initial meeting of creditors under section 341(a) of the Bankruptcy Code;
  - ii. notices of objections to claims (if necessary);
  - iii. notices of any hearings on a disclosure statement and confirmation of a plan or plans of reorganization; and
  - iv. such other miscellaneous notices as the Debtors or Court may deem necessary or appropriate for an orderly administration of these chapter 11 cases;
- c. To the extent necessary, maintain an official copy of the Debtors' schedules of assets and liabilities and statement of financial affairs (collectively, the "Schedules"), listing the Debtors' known creditors and the amounts owed thereto;
- d. Provide access to the public for examination of copies of the proofs of claim or proofs of interest filed in these chapter 11 cases without charge during regular business hours (if necessary);
- e. Furnish a notice of the last date for the filing of proofs of claims and a form for the filing of a proof of claim, after such notice and form are approved by the Court;
- f. File with Clerk an affidavit or certificate of service which includes a copy of the notice, a list of persons to whom it was mailed (in alphabetical order), and the date mailed, within ten (10) days of service;
- g. Docket all claims received by the Clerk's Office, maintain the official claims registers (collectively, the "Claims Registers") for each Debtor on

behalf of the Clerk, and provide the Clerk with certified duplicate, unofficial Claims Registers on a monthly basis, unless otherwise directed;

- h. Record all transfers of claims, pursuant to Bankruptcy Rule 3001(e), and provide any notices of such transfers required by Bankruptcy Rule 3001(e);
- i. Specify, in the applicable Claims Register, the following information for each claim docketed: (i) the claim number assigned, (ii) the date received, (iii) the name and address of the claimant and agent, if applicable, who filed the claim, and (iv) the classification(s) of the claim (*e.g.*, secured, unsecured, priority, *etc.*);
- j. Relocate, by messenger, all of the actual proofs of claim filed with the Court to BMC, not less than weekly;
- k. Upon completion of the docketing process for all claims received to date by the Clerk's Office for each case, turn over to the Clerk copies of the Claims Registers for the Clerk's review;
- l. Make changes in the Claims Registers pursuant to Court Order;
- m. Maintain the official mailing list for each Debtor of all entities that have filed a proof of claim, which list shall be available upon request by a party-in-interest or the Clerk;
- n. Assist with, among other things, the collection, tabulation and calculation of votes and distribution of materials as required in furtherance of confirmation of plan(s) of reorganization;
- o. Provide such other claims processing, noticing, and administrative services as may be requested from time to time by the Debtors;
- p. File with the Court the final version of the claims register immediately before the close of these chapter 11 cases;
- q. Thirty (30) days prior to the close of these chapter 11 cases, an order dismissing the Agent shall be submitted terminating the services of the Agent upon completion of its duties and responsibilities and upon the closing of these cases; and
- r. At the close of these chapter 11 cases, box and transport all original documents, in proper format, as provided by the Clerk's Office, to the Federal Archives Record Administration, located at Central Plains Region, 200 Space Center Drive, Lee's Summit, MO 64064.

15. In addition to the foregoing, BMC will assist the Debtors with, among other things: (a) maintaining and updating the master mailing lists of creditors; (b) to the extent necessary, gathering data in conjunction with the preparation of the Debtors' schedules of assets and liabilities and statements of financial affairs; (c) tracking and administration of claims; and (d) performing other administrative tasks pertaining to the administration of these chapter 11 cases as may be requested by the Debtors or the Clerk's Office in accordance with the terms of the BMC Agreement.

**C. Compensation.**

16. The fees BMC will charge in connection with its services to the Debtors are set forth in the BMC Agreement.

17. The Debtors propose that the cost of BMC's services be paid from the Debtors' estates as provided by 28 U.S.C. § 156(c) and section 503(b)(1)(A) of the Bankruptcy Code. The Debtors believe that the proposed rates to be charged by BMC are reasonable and appropriate for services of this nature. The Debtors' selection of BMC to act as Claims Agent has satisfied the Court's protocol for the retention of BMC. The Debtors received and considered proposals from two (2) other firms in addition to BMC. The Debtors reviewed the rates of BMC and these other firms prior to selecting BMC and believe BMC's rates are reasonable given the quality of BMC's services and BMC's prior bankruptcy expertise. Prior to the Petition Date, the Debtors paid BMC a retainer of \$10,000.

18. As part of the overall compensation payable to BMC under the terms of the BMC Agreement, the Debtors have agreed to certain indemnification and contribution obligations. The BMC Agreement provides that the Debtors will indemnify and hold harmless BMC, its officers, employees and agents under certain circumstances specified in the BMC Agreement, except in circumstances of negligence or willful or wanton misconduct. Both the Debtors and



BMC believe that such provisions are customary and reasonable for notice and claims agents in chapter 11 cases.

19. The fees and expenses of BMC incurred in performance of the above services shall be paid by the Debtors in accordance with the BMC Agreement upon the Debtors' receipt of each BMC invoice, unless BMC is advised, within 20 days of receipt of an invoice, that the Debtors dispute such invoice, in which case the Debtors will schedule a hearing before the Court to consider the disputed invoice. In such case, the Debtors shall remit to BMC only the undisputed portion of the invoice and, if applicable, shall pay the remainder to BMC upon the resolution of the disputed portion, as mandated by the Court. Notwithstanding the foregoing, BMC may require prepayment from the Debtors under certain circumstances as set forth in the BMC Agreement.

20. The Debtors request that the undisputed fees and expenses BMC incurs in the performance of the above services be treated as an administrative expense of the Debtors' chapter 11 estates and be paid by the Debtors in the ordinary course of business without further application to the Court.

21. BMC will comply with all requests of the Clerk's Office and the guidelines promulgated by the Judicial Conference of the United States for the implementation of 28 U.S.C. § 156(c).

**D. BMC's Disinterestedness.**

22. The Debtors have many creditors, and accordingly, BMC may have rendered and may continue to render services to certain of these creditors. BMC has not and will not represent the separate interests of any such creditor in these cases. Additionally, BMC employees may, in the ordinary course of their personal affairs, have relationships with certain creditors of the

Debtors. For example, one or more of BMC's employees may have obligations outstanding with financial institutions that are creditors of the Debtors or may have used the Debtors' services.

23. Although the Debtors do not propose to employ BMC under section 327 of the Bankruptcy Code, to the best of the Debtors' knowledge, information, and belief, and except as disclosed in the Feil Declaration, BMC has represented that it neither holds nor represents any interest adverse to the Debtors' estate in connection with any matter on which it would be employed and that it is a "disinterested person," as referenced in Bankruptcy Code § 327(a) and as defined in Bankruptcy Code § 101(14), as modified by Bankruptcy Code § 1107(b). BMC will supplement its disclosure to the Court if any facts or circumstances are discovered that would require disclosure.

24. In connection with its retention as the Debtors' notice and claims agent, BMC represents, among other things, that:

- (a) BMC will not consider itself employed by the United States government and shall not seek any compensation from the United States government in its capacity as the notice and claims agent in these chapter 11 cases;
- (b) By accepting employment in these chapter 11 cases, BMC waives any rights to receive compensation from the United States government;
- (c) In its capacity as the notice and claims agent in these chapter 11 cases, BMC will not be an agent of the United States and will not act on behalf of the United States; and
- (d) BMC will not employ any past or present employees of the Debtors in connection with its work as the notice and claims agent in these chapter 11 cases.

#### **Basis for Relief**

25. The Debtors seek to retain BMC as notice and claims agent in these chapter 11 cases because BMC has already developed efficient and cost-effective methods in its area of expertise that will benefit the Debtors' estates, and particularly their creditors.

26. Section 156(c) of title 28 of the United States Code, which governs the staffing and expenses of bankruptcy courts, states in pertinent part:

Any court may utilize facilities or services, either on or off the court's premises, which pertain to the provision of notices, dockets, calendars, and other administrative information to parties in cases filed under the provisions of title 11, United States Code, where the costs of such facilities or services are paid for out of the assets of the estate and are not charged to the United States. The utilization of such facilities or services shall be subject to such conditions and limitations as the pertinent circuit council may prescribe.

28 U.S.C. § 156(c).

27. In addition, Local Bankruptcy Rule 5075-1(a) provides, in pertinent part:

The Court may direct, subject to the supervision of the Clerk, the use of agents either on or off the Court's premises to file Court records, either by paper or electronic means, to issue notices, to maintain case dockets, to maintain Judges' calendars, and to maintain and disseminate other administrative information where the costs of such facilities or services are paid for by the estate.

S.D.N.Y. LBR 5075-1.

28. General Order M-409 requires the retention—pursuant to an order of the Court—of an approved claims and noticing agent in a case having one thousand (1,000) or more creditors and/or equity security holders. These chapter 11 cases are such a case.

29. Given the number of creditors and other parties in interest involved in the Debtors' chapter 11 cases, the Debtors seek an order appointing BMC as the notice and claims agent in the chapter 11 cases pursuant to 28 U.S.C. § 156(c), Local Bankruptcy Rule 5075-1 and General Order M-409 in order to relieve the Court and the Clerk's Office of these heavy administrative and other burdens.

**Waiver of Bankruptcy Rule 6004(a) and 6004(h)**

30. To implement the foregoing successfully, the Debtors seek a waiver of the notice requirements under Bankruptcy Rule 6004(a) and the 14-day stay of an order authorizing the use, sale or lease of property under Bankruptcy Rule 6004(h).

**Motion Practice**

31. This Application includes citations to the applicable rules and statutory authorities upon which the relief requested herein is predicated, and a discussion of their application to this Application. Accordingly, the Debtors submit that this Application satisfies Local Bankruptcy Rule 9013-1(a).

**Notice**

32. The Debtors have provided notice of this Application to: (a) the Office of the United States Trustee for the Southern District of New York; (b) the entities listed on the Consolidated List of Creditors Holding the 50 Largest Unsecured Claims filed pursuant to Bankruptcy Rule 1007(d); (c) counsel to the agent for the Debtors' prepetition secured revolving loan and proposed postpetition secured lenders; (d) the indenture trustee for the Debtors' secured floating rate notes; (e) counsel to the ad hoc group of certain holders of the Debtors' secured floating rate notes; (f) the Internal Revenue Service; and (g) the Securities and Exchange Commission. In light of the nature of the relief requested, the Debtors respectfully submit that no further notice is necessary.

**No Prior Request**

33. No prior request for the relief sought in this Application has been made to this or any other court.

WHEREFORE, the Debtors respectfully request entry of an order, substantially in the form attached hereto as Exhibit A, (a) authorizing and approving the retention of BMC as notice and claims agent to the Debtors and (b) granting such other further relief as is just and proper.

New York, New York  
Dated: December 10, 2010

InSight Health Services Holdings Corp.  
InSight Health Services Corp.  
Comprehensive Medical Imaging Centers, Inc.  
Comprehensive Medical Imaging, Inc.  
InSight Health Corp.  
Maxum Health Services Corp.  
North Carolina Mobile Imaging I LLC  
North Carolina Mobile Imaging II LLC  
North Carolina Mobile Imaging III LLC  
North Carolina Mobile Imaging IV LLC  
North Carolina Mobile Imaging V LLC  
North Carolina Mobile Imaging VI LLC  
North Carolina Mobile Imaging VII LLC  
Open MRI, Inc.  
Orange County Regional PET Center - Irvine, LLC  
Parkway Imaging Center, LLC  
Signal Medical Services, Inc.

*/s/ Keith S. Kelson*

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Keith S. Kelson  
Executive Vice President and Chief Financial Officer  
InSight Health Services Holdings Corp.  
26250 Enterprise Court, Suite 100  
Lake Forest, California 92630

**EXHIBIT A**

**Proposed Order**

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

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In re:	)	Chapter 11
	)	
INSIGHT HEALTH SERVICES	)	Case No. 10-[_____] (____)
HOLDINGS CORP., <u>et al.</u> , <sup>1</sup>	)	
	)	
Debtors.	)	(Joint Administration Requested)

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**ORDER AUTHORIZING THE RETENTION  
AND EMPLOYMENT OF BMC GROUP, INC. AS  
NOTICE AND CLAIMS AGENT FOR THE DEBTORS**

Upon the application (the “Application”)<sup>2</sup> of the above-captioned debtors and debtors in possession (collectively, the “Debtors”) for entry of an order (this “Order”), pursuant to 28 U.S.C. § 156(c), Local Bankruptcy Rule 5075-1 and General Order M-409 authorizing the retention of BMC Group, Inc. (“BMC”) as its notice and claims agent; and upon the Feil Declaration in support of the Application; it appearing that the relief requested is in the best interests of the Debtors’ estates, their creditors and other parties in interest; it appearing that the Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that this proceeding is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); it appearing that venue of this proceeding and this Application in this District is proper pursuant to

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<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, include: InSight Health Services Holdings Corp. (0028); InSight Health Services Corp. (2770); Comprehensive Medical Imaging Centers, Inc. (6946); Comprehensive Medical Imaging, Inc. (2473); InSight Health Corp. (8857); Maxum Health Services Corp. (5957); North Carolina Mobile Imaging I LLC (9930); North Carolina Mobile Imaging II LLC (0165); North Carolina Mobile Imaging III LLC (0251); North Carolina Mobile Imaging IV LLC (0342); North Carolina Mobile Imaging V LLC (0431); North Carolina Mobile Imaging VI LLC (0532); North Carolina Mobile Imaging VII LLC (0607); Open MRI, Inc. (1529); Orange County Regional PET Center - Irvine, LLC (0190); Parkway Imaging Center, LLC (2858); and Signal Medical Services, Inc. (2413). The location of the Debtors’ corporate headquarters and the Debtors’ service address is: 26250 Enterprise Court, Suite 100, Lake Forest, California 92630.

<sup>2</sup> Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Application.

28 U.S.C. §§ 1408 and 1409; notice of this Application and the opportunity for a hearing on this Application was appropriate under the particular circumstances and that no further notice need be given; and after due deliberation and sufficient cause appearing therefor, it is hereby ORDERED that:

1. The Application is granted as set forth herein.
2. The Debtors are authorized to retain and employ BMC as their notice and claims agent subject to the terms of the Application, this Order and the BMC Agreement.
3. Pursuant to this Order, BMC shall perform the services set forth in the Application and the BMC Agreement (other than the services set forth in subparagraphs (6), (11) and (12) of Section I of the BMC Agreement).
4. The Debtors are authorized to pay BMC's fees and expenses as set forth in the BMC Agreement in the ordinary course of business without the necessity of BMC filing fee applications with the Court.
5. Without further order of the Court, the fees and expenses of BMC incurred in performance of the above services are to be treated as an administrative expense of the Debtors' estates and shall be paid by the Debtors in accordance with the terms of the BMC Agreement upon receipt of each BMC invoice by the Debtors, unless BMC is advised, within 20 days of receipt of the invoice, that the Debtors object to the invoice, in which case the Debtors will schedule a hearing before the Court to consider the disputed invoice. In such case, the Debtors shall remit to BMC only the undisputed portion of the invoice and, if applicable, shall pay the remainder to BMC upon the resolution of the disputed portion, as mandated by the Court. Notwithstanding the foregoing, the Debtors may be required to prepay for certain services in accordance with the terms of the BMC Agreement.



6. The Debtors and BMC are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Application.

7. Notice of the Application as provided therein shall be deemed good and sufficient notice of such application and the requirements of Bankruptcy Rule 6004(a) and the local rules of the Court are satisfied by such notice.

8. Notwithstanding the possible applicability of Bankruptcy Rules 6004(h), 7062, 9014 or otherwise, the terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

9. The Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.

New York, New York

Date: \_\_\_\_\_, 2010

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United States Bankruptcy Judge

**EXHIBIT B**

**Feil Declaration**

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

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In re:	)	Chapter 11
	)	
INSIGHT HEALTH SERVICES	)	Case No. 10-[_____] (____)
HOLDINGS CORP., <u>et al.</u> , <sup>1</sup>	)	
	)	
Debtors.	)	(Joint Administration Requested)

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**DECLARATION OF TINAMARIE FEIL  
IN SUPPORT OF THE DEBTORS' APPLICATION FOR ENTRY  
OF AN ORDER AUTHORIZING RETENTION AND EMPLOYMENT  
OF BMC GROUP, INC. AS NOTICE AND CLAIMS AGENT FOR THE DEBTORS**

STATE OF NEW YORK    )  
                                  ) ss.  
COUNTY OF NEW YORK )

I, Tinamarie Feil, declare the following under penalty of perjury:

1. I am the President of Client Services of BMC Group, Inc. (“BMC”), whose offices are located at 600 First Avenue, Suite 300, Seattle, Washington 98104, telephone number (206) 516-3300. The matters set forth herein are made of my own personal knowledge and, if called and sworn as a witness, I could and would testify competently thereto.

2. This declaration is made in support of the Application for Entry of an Order Authorizing Retention and Employment of BMC Group, Inc. as Notice and Claims Agent for the

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<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, include: InSight Health Services Holdings Corp. (0028); InSight Health Services Corp. (2770); Comprehensive Medical Imaging Centers, Inc. (6946); Comprehensive Medical Imaging, Inc. (2473); InSight Health Corp. (8857); Maxum Health Services Corp. (5957); North Carolina Mobile Imaging I LLC (9930); North Carolina Mobile Imaging II LLC (0165); North Carolina Mobile Imaging III LLC (0251); North Carolina Mobile Imaging IV LLC (0342); North Carolina Mobile Imaging V LLC (0431); North Carolina Mobile Imaging VI LLC (0532); North Carolina Mobile Imaging VII LLC (0607); Open MRI, Inc. (1529); Orange County Regional PET Center - Irvine, LLC (0190); Parkway Imaging Center, LLC (2858); and Signal Medical Services, Inc. (2413). The location of the Debtors’ corporate headquarters and the Debtors’ service address is: 26250 Enterprise Court, Suite 100, Lake Forest, California 92630.

Debtors (the “Application”) of the above-captioned debtors and debtors in possession (collectively, the “Debtors”), which has been filed contemporaneously herewith.

3. As agent and custodian of the Court records pursuant to 28 U.S.C. § 156(c), BMC will perform, at the request of the Office of the Clerk of the Court (the “Clerk’s Office”), the noticing and claims related services specified in the Application. In addition, at the Debtors’ request, BMC will perform such other noticing, claims, technical and support services specified in the Application.

4. BMC is one of the country’s leading chapter 11 administrators, with experience in noticing, claims administration, solicitation, balloting and facilitating other administrative aspects of chapter 11 cases. BMC has substantial experience in the matters of this size and complexity, and has acted as the official notice and claims agent in many large bankruptcy cases pending in this district. See, e.g., In re Jennifer Convertibles, Inc., Case No. 10-13779 (ALG) (Bankr. S.D.N.Y. July 22, 2010); In re Fairpoint Commc’ns Inc., Case No. 09-16335 (BRL) (Bankr. S.D.N.Y. Oct. 27, 2009); In re Metaldyne Corp., Case No. 09-13412 (MG) (Bankr. S.D.N.Y. May 29, 2009); In re Ziff Davis Media Inc., Case No. 08-10768 (BRL) (Bankr. S.D.N.Y. Mar. 10, 2008); see also, e.g., In re NV Broad., LLC, Case No. 09-12473 (KG) (Bankr. D. Del. July 15, 2009).

5. BMC represents, among other things, the following:

- (a) BMC is not a creditor of the Debtors;
- (b) BMC will not consider itself employed by the United States government and shall not seek any compensation from the United States government in its capacity as the notice and claims agent in these chapter 11 cases;
- (c) By accepting employment in these chapter 11 cases, BMC waives any rights to receive compensation from the United States government;

- (d) In its capacity as the notice agent and claims agent in these chapter 11 cases, BMC will not be an agent of the United States and will not act on behalf of the United States;
- (e) BMC will not employ any past or present employees of the Debtors in connection with its work as the notice and claims agent in these chapter 11 cases;
- (f) In its capacity as notice and claims agent in these chapter 11 cases, BMC will not intentionally misrepresent any fact to any person;
- (g) BMC shall be under the supervision and control of the Clerk's Office with respect to the receipt and recordation of claims and claim transfers; and
- (h) None of the services provided by BMC as notice and claims agent shall be at the expense of the Clerk's Office.

6. The Debtors have many creditors, and accordingly, BMC may have rendered and may continue to render services to certain of these creditors. BMC has not and will not represent the separate interests of any such creditor in these cases. Additionally, BMC employees may, in the ordinary course of their personal affairs, have relationships with certain creditors of the Debtors. For example, one or more of BMC's employees may have obligations outstanding with financial institutions that are creditors of the Debtors or may have used the Debtors' services.

7. To the best of my knowledge and except as disclosed herein, BMC neither holds nor represents any interest adverse to the Debtors' estates in connection with any matter on which it would be employed and that it is a "disinterested person" within the meaning of section 101(14) of the Bankruptcy Code, 11 U.S.C. §§ 101–1532 (the "Bankruptcy Code") as required by section 327(a) of the Bankruptcy Code. BMC will supplement its disclosure to the Court if any facts or circumstances are discovered that would require disclosure.

8. In performing the services of notice and claims agent, BMC will charge the Debtors the rates set forth in the BMC Agreement, which is attached as Exhibit C to the Application. The rates set forth therein are at least as favorable as the rates that BMC charges in cases in which it has been retained to perform similar services.

9. BMC will comply with all requests of the Clerk's Office and the guidelines promulgated by the Judicial Conference of the United States for the implementation of 28 U.S.C. § 156(c).

*[Remainder of Page Intentionally Left Blank]*

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: December 10, 2010

*/s/ Tinamarie Feil*

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Tinamarie Feil  
President, Client Services  
BMC Group, Inc.

**EXHIBIT C**

**BMC Agreement**



## AGREEMENT FOR SERVICES

This Agreement dated as of October 20, 2010, is entered between Insight Health Services Holdings, Corp. ("Customer") and BMC Group, Inc. ("BMC"). The services rendered by BMC pursuant to this Agreement will commence on the date first set forth above and will continue until the Agreement is terminated as set forth below.

### TERMS AND CONDITIONS

#### I. SERVICES

In accordance with the terms and conditions contained in this Agreement and in the Fee Schedule annexed hereto, BMC agrees to provide services as follows: (a) assisting the Customer, Counsel and Office of the Clerk with noticing and claims docketing and (b) assisting Customer with the compilation, administration, evaluation and production of documents and information necessary to support a restructuring effort. At Customer's, Counsel's or the Clerk's Office's direction, as the case may be, and in accordance with any court orders or rules in the bankruptcy case(s) (including any court order authorizing BMC's engagement), BMC will (1) prepare and serve those notices required in the bankruptcy cases; (2) receive, record and maintain copies of all proofs of claim and proofs of interest filed in the bankruptcy cases; (3) create and maintain the official claims register(s); (4) receive and record all transfers of claims pursuant to Bankruptcy Rule 3001(e); (5) maintain an up-to-date mailing list for all entities who have filed proofs of claim and/or requests for notices in the bankruptcy cases; (6) assist Customer and Counsel with the administrative management, reconciliation and resolution of claims; (7) print, mail and tabulate ballots for purposes of plan voting; (8) assist with the preparation and maintenance of Customer's Schedules of Assets and Liabilities, Statements of Financial Affairs and other master lists and databases of creditors, assets and liabilities, (9) assist with the production of reports, exhibits and schedules of information or use by the Customer, Counsel or to be delivered the Court, the Clerk's Office, the U.S. Trustee or third parties; and (10) provide other technical and document management services of a similar nature requested by Customer or the Clerk's office; (11) facilitate or perform distributions, and (12) assist Customer with all analyses and/or collections of avoidance actions pursuant to Chapter 5 of the United States Bankruptcy Code.

#### II. TECHNOLOGY SUPPORT

BMC agrees to provide computer software support and to educate and train Customer in the use of the support software, provide BMC's standard reports as well as consulting and programming support for Customer requested reports, program modifications, database modification, and/or other features.

#### III. PRICES, CHARGES AND PAYMENT

- A. BMC agrees to charge, and Customer agrees to pay, BMC's standard prices for its services, expenses and supplies at the rates or prices in effect on the day such services and/or supplies are provided to the Customer, in accordance with the Fee Schedule annexed hereto.
- B. BMC shall be provided with an advance payment retainer of \$10,000.00. BMC will be compensated at its stated rates for services rendered and reimbursed for necessarily incurred expenses.

C. Wire transfer information for the transmission of payments is as follows:

Bank Name -	Wells Fargo Bank
Address -	933 3 <sup>rd</sup> Avenue, Seattle, WA 98104
ABA/Routing # -	121000248
Account Name -	BMC Group, Inc.
Account # -	0033022633

- D. BMC raises its rates from time to time and generally does so each January.
- E. Customer agrees to pay BMC for any necessarily incurred out-of-pocket reasonable expenses for transportation, lodging, meals and related items.
- F. In connection with noticing services, upon BMC's request, Customer agrees to prepay BMC estimated postage amounts with respect to each notice or shall authorize BMC to cause the courier's charges (such as UPS or FedEx) to be stated to Customer's own account with such courier.
- G. BMC agrees to invoice Customer for fees and expenses and Customer agrees that the amount invoiced is due and payable upon its receipt of the invoice. If any amount is unpaid as of thirty (30) days from the receipt of the invoice, Customer further agrees to pay a late charge, calculated as one and one-half percent (1-1/2%) interest on the amount unpaid, accruing from the invoice date. In the case of a dispute in the invoice amount, notice shall be given to BMC within twenty (20) days of receipt of the invoice by Customer. Interest shall not accrue on any amounts in dispute. The balance of the invoice amount is due and payable in the normal course.
- H. BMC will look only to the Customer for payment of invoices and in no event shall Counsel be liable for any of BMC's invoices in connections with this Services Agreement.

#### IV. WARRANTY

The BMC warranty under the Agreement shall be limited to the re-running, at its expense, of any inaccurate reports, provided that such inaccuracies were caused solely as a result of BMC performance hereunder and provided further that BMC shall receive written notice of such inaccuracies within thirty (30) days of delivery of such report. If said notice is not made to BMC within the prescribed time limit Customer is liable for all charges. Customer agrees that the foregoing constitutes the exclusive remedy available with respect to inaccurate reports.

#### V. RIGHTS OF OWNERSHIP

- A. The parties understand that the software programs and other similar proprietary materials furnished by BMC pursuant to this Agreement and/or developed during the course of this Agreement by BMC are the sole property of BMC. The term "program" shall include, without limitation, data processing programs, specifications, applications, routines, sub-routines, procedural manuals, and documentation. Customer agrees not to copy or permit others to copy for unauthorized use the source code from the support software or any other programs or similar proprietary materials furnished pursuant to this Agreement.
- B. Customer further agrees that any ideas, concepts, know-how or techniques relating to data processing or BMC's performance of its services developed during the course of its Agreement by BMC shall be exclusive property of BMC.

- C. Upon Customer's request at any time or times while this Agreement is in effect, BMC shall immediately deliver to Customer at Customer's sole expense, any or all of the non-proprietary data, information and records held or controlled by BMC pursuant to this Agreement, in the form requested by Customer. Any information, data and records, in whatever form existing, whether provided to BMC by Customer or developed by BMC for Customer under this Agreement, may be retained by BMC until all amounts due under this Agreement are paid in full, it being understood that neither party asserts rights of ownership in the official claims register or materials filed with BMC as an agent of the court.
- D. Customer shall remain liable for all charges imposed under this Agreement as a result of data or physical media maintained by BMC. BMC shall dispose of the data and media in the manner requested by Customer. Customer agrees to pay BMC for reasonable expenses incurred as a result of the disposition of the data or media. After giving Customer thirty (30) days advance notice, BMC reserves the right to dispose of data or media maintained by BMC for Customer if Customer has not utilized the services provided herein for a period of at least ninety (90) days or if Customer has not paid all charges due to BMC.

#### **VI. NON-SOLICITATION**

Customer agrees that it shall not, directly or indirectly, solicit for employment, employ or otherwise retain staff of BMC during the term of this Agreement, nor for a period of twelve (12) months after termination of this Agreement unless mutually agreed upon by both parties.

#### **VII. CONFIDENTIALITY**

- A. BMC agrees to, and shall cause its servants, agents, employees, licensees, and subcontractors to, safeguard and keep confidential all data, records, information and communications of any sort or form, regardless of whether written, oral, visual or otherwise recorded or transmitted, with respect to Customer, but excluding such data, records, information and communications that exist in the public domain by reason other than a breach of BMC's obligations under this Section VII "Confidentiality" (the "Confidential Information"). BMC will use the Confidential Information only for the benefit of Customer in connection with the provision of services under this Agreement. Customer agrees to, and will cause its servants, agents, employees, licensees, and subcontractors to, keep all information with respect to BMC's system, procedures and software confidential; provided, however, that if either party is required to produce any such information by order of any governmental agency or other regulatory body, it may, upon not less than five business days' written notice to the other party, release the required information. The obligations set forth in this paragraph shall survive termination of this Agreement.

#### **VIII. TERMINATION**

- A. This Agreement shall remain in force until terminated by Customer, or, by BMC upon thirty (30) days' prior written notice to the other party.
- B. In the event that this contract is terminated, regardless of the reason for such termination, BMC shall cooperate with Customer to orderly transfer to Customer or its designee (or destroy, at Customer's direction) data, records and information in its possession or control and to effect an orderly transition of record-keeping functions. BMC shall provide all necessary staff, services and assistance required for an orderly transfer and transition. Customer agrees to pay for such services in accordance with BMC's then existing prices for such services.

**IX. SYSTEM IMPROVEMENTS**

BMC's policy is to provide continuous improvements in the quality of service to the Customer. BMC, therefore, reserves the right to make changes in operations procedures, operating systems, programming languages, general purpose library programs, application programs, time period of accessibility, types of terminal and other equipment and the BMC data center serving the Customer.

**X. LIMITATIONS OF LIABILITY AND INDEMNIFICATION**

Except with respect to breaches under Section VII "Confidentiality" above, Customer shall indemnify and hold BMC, its officers, employees and agents harmless against any losses, claims, damages, judgments, liabilities and expense (including reasonable counsel fees and expenses) resulting from action taken or permitted by BMC in good faith with due care and without negligence in reliance upon instructions or orders received from Customer as to anything arising in connection with its performance under this Agreement. Except with respect to breaches under Section VII "Confidentiality" above, BMC shall be without liability to Customer with respect to any performance or non-performance, in accordance with the terms of this Agreement or instructions properly received pursuant hereto, if done in good faith and without negligence or willful or wanton misconduct. Except with respect to breaches under Section VII "Confidentiality" above, in no event shall liability to Customer for any losses or damages, whether direct or indirect, arising out of this Agreement exceed the total amount billed or billable to Customer for the portion of the particular work which gave rise to the loss or damage. Except with respect to breaches under Section VII "Confidentiality", in no event shall BMC be liable for any indirect, special or consequential damages such as loss of anticipated profits or other economic loss in connection with or arising out of the services provided for in this Agreement.

**XI. NOTICES**

All notices in connection with this Agreement shall be given or made upon the respective parties in writing by facsimile or overnight courier and shall be deemed as given, if by facsimile, on the business day immediately following confirmed transmission, or if by courier, on the day it is delivered by such courier to the appropriate address set forth below:

BMC Group, Inc. Attn: Tinamarie Feil 600 1st Avenue Suite 300 Seattle, WA 98104  E-Mail <a href="mailto:tfeil@bmcgroup.com">tfeil@bmcgroup.com</a> Telephone 206.516.3300 Fax 206.516.3304	Insight Health Services Holdings Corp. Attention: Keith Kelson, EVP & CFO  E-mail <a href="mailto:KKelson@insighthealth.com">KKelson@insighthealth.com</a> Telephone Fax
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Or to such other address as the party to receive the notice or request so designates by written notice to the other.

**XII. APPLICABLE LAW**

This agreement shall be construed in accordance with the laws of the State of Washington and may be modified only by a written instrument duly executed by an authorized representative of Customer and an officer of BMC.

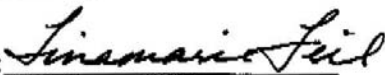

**XIII. ENTIRE AGREEMENT/ MODIFICATIONS**

Each party acknowledges that it has read this Agreement, understands it, and agrees to be bound by its terms and further agrees that it is the complete and exclusive statement of the agreement between the parties, which supersedes and merges all prior proposals, understandings and other agreements, oral and written between the parties relating to the subject matter of this Agreement. The Agreement may not be modified or altered by written instrument duly executed by both parties. Customer represents that it has the authority to enter into this Agreement, may be subject to bankruptcy court approval, and the Agreement is non-dischargeable under any applicable statute or law. If any provision of this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall in no way be affected or impaired thereby. In the event of any conflict between a term of this Agreement and any order of the court exercising jurisdiction over the Customer bankruptcy cases, the term of the order shall govern.

**XIV. ASSIGNMENT**

This Agreement and the rights and duties hereunder shall not be assignable by the parties hereto except upon written consent of the other, with the exception that this Agreement can be assigned by BMC to a wholly owned subsidiary of BMC.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

<p><b>BMC Group, Inc.</b></p> <p>By: </p> <p>Name: Tinamarie Feil Title: President, Client Services</p> <p>Date: October <u>22</u>, 2010</p>	<p><b>Insight Health Services Holdings Corp.</b></p> <p>By: </p> <p>Name: Keith Kelson Title: EVP and Chief Financial Officer</p> <p>Date: October <u>20</u>, 2010</p>
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## 2010 Standard Pricing: Restructuring Support Services

### Claims Management and b-Linx Claims Management Platform

Claim Receipt, Process & Docketing	\$2.50 per claim (no per hour charges)
Claim Imaging and b-Linx Association	\$0.12 per Image
b-Linx Access and Maintenance	\$0.07 per record/mo (\$250 min/\$850 max, no per user fee)
Schedules/Statements Preparation	at applicable Case Management rates
Claim Analysis, Reconciliation, Objection Support	at applicable Case Management rates
Claims Order Review and Updates	at applicable Case Management rates

### Print Mail and Noticing Services

Create/Maintain Noticing Database & Service Lists	at applicable Case Management rates
Production Setup	\$0 - \$25 per file
Copy/Print	\$0.03 - \$0.10 per image based on volume
Envelope and Address Printing/Labeling	\$0.08 standard / catalogue or custom varies
Finishing (Fold or Collate, Insertion, Seal, Mail)	\$0.05 per document
Postage	at cost (Includes optimization recommendations)
Certified Electronic Noticing Service	\$20 per 500 (\$0.04 per notice, no per page charge)
Certified Fax Noticing Service	\$0.15 per Image
Processing of Undeliverables	\$0.25 each + cost of re-mails as applicable
Legal Notice Experts/Publication	Quote

### Document and Information Management

Document Imaging and b-Linx Association	\$0.12 per Image
Live Operator Call Center	\$45 per hour
Custom Website Hosting	Set up, plus \$250 per month
Secure Virtual Data Room	Set up + \$0.15/page per month
Physical Document Storage	\$1.45 per box/month
Document Analysis	at applicable Case Management rates

### Subscription/Solicitation/Exchange

Materials Print and Notification	at applicable Print Mail and Noticing rates
Ballot Receipt, Processing, Tabulation	at applicable Case Management rates
Interface Public Securities Holders	at applicable Case Management rates

### Distribution

Distribution Consulting	at applicable Case Management rates
Check Issuance or Tax Reporting (1099, W-2)	\$1.50 each
Issuance Stock, Notes, Warrants	\$1.25 each
Registrar of New Issue(s)	Quote

### Case Management

Data Entry/Administrative Support	\$25/ \$45 - \$65 per hour
Analysts	\$80 - \$110 per hour
Consultants	\$110 - \$145 per hour
Project Managers	\$175 - \$250 per hour
Director/Principal	\$250 - \$275 per hour (Average Hourly Rate < \$125)



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